
South Somerset District Council

Thursday 16th December 2021

6.30 pm

**Westlands Entertainment Venue
Westbourne Close
Yeovil
BA20 2DD**

(disabled access and a hearing loop are available at this meeting venue)



All members of Council are requested to attend this meeting

If you would like any further information on the items to be discussed, please contact the Democratic Services Specialist on 01935 462148 or democracy@southsomerset.gov.uk

Any members of the public wishing to address the meeting at Public Question Time need to email democracy@southsomerset.gov.uk by 9.00am on Wednesday 15 December 2021 so we can ensure safe social distancing at the meeting.

This Agenda was issued on Wednesday 8 December 2021.

Jane Portman, *Chief Executive Officer*

This information is also available on our website
www.southsomerset.gov.uk and via the Modern.Gov app



South Somerset District Council Membership

Chairman: Paul Maxwell
Vice-chairman: Wes Read

Jason Baker
Robin Bastable
Mike Best
Neil Bloomfield
Dave Bulmer
Hayward Burt
Tony Capozzoli
Martin Carnell
Malcolm Cavill
John Clark
Nicola Clark
Louise Clarke
Nick Colbert
Adam Dance
Sarah Dyke
Karl Gill
David Gubbins
Peter Gubbins
Brian Hamilton
Mike Hewitson

Henry Hobhouse
Ben Hodgson
Charlie Hull
Kaysar Hussain
Val Keitch
Andy Kendall
Jenny Kenton
Tim Kerley
Mike Lewis
Mike Lock
Pauline Lock
Tony Lock
Kevin Messenger
Graham Oakes
Tricia O'Brien
Sue Osborne
Tiffany Osborne
Robin Pailthorpe
Oliver Patrick
Clare Paul

Crispin Raikes
David Recardo
Paul Rowsell
Dean Ruddle
Gina Seaton
Peter Seib
Garry Shortland
Alan Smith
Jeny Snell
Andy Soughton
Mike Stanton
Rob Stickland
Lucy Trimnell
Gerard Tucker
Linda Vijeh
Martin Wale
William Wallace
Colin Winder

Information for the Public

The meetings of the full Council, comprising all 60 members of South Somerset District Council, are held at least 6 times a year. The full Council approves the Council's budget and the major policies which comprise the Council's policy framework. Other decisions which the full Council has to take include appointing the Leader of the Council, members of the District Executive, other Council Committees and approving the Council's Constitution (which details how the Council works including the scheme allocating decisions and Council functions to committees and officers).

Meetings of the Council are scheduled to be held monthly at 6.30 p.m. on the third Thursday of the month although some dates are only reserve dates and may not be needed.

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 and select 'South Somerset' from the list of publishers and 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 in person and via Zoom) Public question time

We recognise that these are challenging times but we still value the public's contribution to our meetings. If you would like to participate and contribute in the meeting, we would encourage you to 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 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

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 attend the meeting in person and speak at Public Question Time, please email democracy@southsomerset.gov.uk by 9.00am on Wednesday 15 December 2021. We need to know how many public are attending to ensure safe social distancing at the meeting. When you have registered, the Chairman will invite you to speak at the appropriate time during the meeting.

South Somerset District Council

Thursday 16 December 2021

Agenda

1. Apologies for Absence

2. Minutes

To approve and sign the minutes of the previous meeting held on Thursday, 21 October 2021.

3. 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.

4. Public Question Time

5. Chairman's Announcements

Items for Discussion

6. Chairman's Engagements (Page 6)

7. SSDC Health and Safety Policy (Pages 7 - 33)

8. Joint Scrutiny for Local Government Review (Pages 34 - 45)

9. Quarter Two Revenue budget monitor and proposed 2022/23 Revised Estimates (Pages 46 - 60)

10. Quarter Two Capital budget monitor and proposed 2022/23 Revised Estimates (Pages 61 - 79)

11. 2021/22 Treasury Management Mid-Year Performance Report and Strategy Update (Pages 80 - 109)

12. Proposal to opt into the national scheme for external auditor appointments from April 2023 - recommendation from Audit Committee (Pages 110 - 118)

- 13. Review of Remote Meetings after 8th January 2022** (Pages 119 - 122)
- 14. Yeovilton and Limington Community Governance Review - first consultation response** (Pages 123 - 126)
- 15. Report of Executive Decisions** (Pages 127 - 129)
- 16. Audit Committee** (Page 130)
- 17. Scrutiny Committee** (Page 131)
- 18. Motions**

No Motions have been submitted by Members.
- 19. Questions Under Procedure Rule 10**

No questions have been submitted under Procedure Rule 10.
- 20. Date of Next Meeting** (Page 132)
- 21. Exclusion of Press and Public** (Page 133)
- 22. Confidential Staffing Matter - verbal report from the Chief Executive**



Chairman's Engagements

October

The Chairman visited Fairmead School, Yeovil on Friday 22nd October, to celebrate the opening of their new school buildings by Princess Anne, The Princess Royal.

November

On Thursday 25th November the Chairman attended the Somerset County Council Chairman's awards held at Taunton Rugby Club.

December

On Thursday 9th December the Chairman attended the graduation ceremony for students at Yeovil College, University Centre, held at Westlands Entertainment Centre, Yeovil

Corporate Health & Safety Policy

Executive Portfolio Holder: Val Keitch, Portfolio Holder - Strategy and Housing
Strategic Director: Nicola Hix, Director of Strategy and Support Services
Lead Officer: Jessica Power, Lead Specialist Strategic Planning
Contact Details: jessica.power@southsomerset.gov.uk

Purpose of the Report

1. To provide the Council with an updated Health and Safety (H&S) Policy.

Public Interest

2. The Council is committed to ensuring the health, safety and wellbeing of all its employees, Members and other persons who may be affected by the Council's activities. The Council's Health & Safety policy is concerned with meeting its statutory responsibilities under the Health & Safety at Work etc. Act 1974 and sets out the aims, responsibilities and arrangement for achieving this.

Recommendations

3. That Council:-
 - a Note the contents of the report;
 - b Approve the adoption of the updated Health and Safety Policy as detailed in Appendix A;
 - c Delegate the power to make any minor amendments to the Health and Safety Policy to the Lead Specialist – Strategic Planning in consultation with the Director of Strategy and Support Services and the Portfolio Holder for Health and Safety.

Background

4. The Health and Safety at Work Act 1974 imposes a statutory duty on employers to ensure so far as reasonably practicable, the health and safety of their employees whilst at work. The duty also extends to persons other than employees who may be affected by that work. Under the same law, employees have a statutory duty to take care of themselves and others who may be affected by their actions at work. Under this Act, there is a legal requirement to keep a written record of their health & safety policy. The Management of Health and Safety at Work Regulations explains the steps that must be taken to manage health and safety.



South Somerset District Council

- The Council currently has a policy for managing health and safety that sets out its aims, responsibilities and arrangements, explaining who does what, when and how. However, it does not reflect the organisational changes post transformation and needed updating as it had not been reviewed recently. A review process commenced early in 2021 to bring this policy up to date. As part of this work, in April 2021, the Council appointed a health and safety consultant to support the development of this new policy, working in collaboration with both the Council’s Health and Safety Steering Group and its Working Group to progress this.

Health and Safety Policy

- The appended revised health and safety policy reflects best practice that elected members have shared responsibility for health and safety, with the Leader having joint sign off with the head of paid staff. The method of reporting health and safety to the Leader would be through Audit Committee, as currently happens annually. Health and safety incidents are being monitored and reported to the H & S Working Group, Steering Group and at least quarterly to SLT.
- The Unions have been consulted on the revised health and safety policy. The feedback has been reflected in the policy. The Unions were satisfied with the agreed minor amendments.
- The Policy consists of the following sections:-

Section 1	The statement sets out the aims for the Council and its overarching approach.
Section 2	This sets out the responsibilities.
Section 3	This sets out the organisational arrangements for managing health and safety.
Section 4	This refers to the service level arrangements that are in place across the different areas, as appropriately identified. A review and update of these separate policies are under development with representatives across the Leadership Management Team and these will later emerge as a set of reference links to separate documents.
Section 5	The remainder of the policy explains the systems applied to achieve the aims of the statement.

- The policy also sets out a series of key performance indicators (KPIs) identified for measuring the effectiveness of the arrangements in place and will be incorporated into the Performance report taken to District Executive each quarter.
- The policy will be reviewed annually and whenever there is a change in signatories. Members are being asked to delegate the power to make any minor amendments to the Health and Safety Policy to the Lead Specialist – Strategic Planning in consultation with the Director for Strategy and Support Services and the Portfolio Holder for Strategy and Housing.



South Somerset District Council

11. The policy will be communicated to the wider organization through Staff Awareness sessions, direct communications and will be available on the designated Policy Area for staff to review.

Financial Implications

12. There are no new financial implications as a result of approving this policy.

Legal implications (if any) and details of Statutory Powers

13. The policy has been formed incorporating the following legislation:
 - The Health and Safety at Work etc Act 1974
 - The Management of Health and Safety at Work Regulations
 - Safety Representatives and Safety Committees Regulations 1977

Council Plan Implications

This Policy is concerned with the safety and health of its employees and all those affected by the Council's activities and therefore works towards ensuring 'a modern, efficient and effective council that delivers for its communities'.

Carbon Emissions and Climate Change Implications

No notable implications.

Equality and Diversity Implications

An equality impact relevance check was completed and is appended to this report. This check identified the policy has no negative impacts on staff, members, contractors or the public who share Protected Characteristics. In view of this, a full Equality & Diversity Impact Assessment is not required.

Privacy Impact Assessment

No personal data is held within the Policy.

Background Papers

None.



Health & Safety Policy

Version Details:

Version:	1.0
Author:	Lead Specialist - Strategic Planning
Review Date:	August 2022

Sub heading:

First Draft:	August 2021
Second Draft:	September 2021
Third Draft:	October 2021
Fourth Draft:	November 2021

Contents

1. Policy Statement.....	4
2. Responsibilities	5
2.1 Council Leader.....	5
2.2 Council Portfolio Holder for Health and Safety.....	5
2.3 Elected members	5
2.4 Chief Executive Officer	5
2.5 Support Services and Strategy Director	5
2.6 Senior Leadership Team.....	5
2.7 Steering Group.....	5
2.8 Working Group.....	5
2.9 Lead Specialist – Strategic Planning.....	6
2.10 Competent Person.....	6
2.11 Lead Specialists, People Managers, Managers and Specialists.....	6
2.12 Facilities Management Specialist	6
2.13 Digital Services	6
2.14 Specialist – Learning and Development	7
2.15 Specialist – People	7
2.16 Team leaders.....	7
2.17 All Staff	7
2.18 Health and Safety Co-ordinator	7
2.19 Senior First Aider	8
3. Organisation	9
3.1 Health and Safety Leadership.....	9
3.2 Committee and Group Structures	9
3.3 Steering Group.....	9
3.4 Working Group.....	10
3.5 Health and Safety Documentation and Administration	10
3.6 Consultation and Communication with Employees	10
3.7 Competent Person	10
3.8 Key Performance Indicators.....	10
3.9 Health and Safety Performance Review	11
3.10 Risk Assessment	11
3.11 Safe Systems of Work	11
3.12 Permit Systems	11

3.13	Control of substances Hazardous to Health (COSHH & DSEAR)	11
3.14	Training.....	12
3.15	Monitoring.....	12
3.16	Accidents and Incidents.....	13
3.17	Near Miss and Hazard Reporting	13
3.18	First Aid	13
3.19	Control of Contractors.....	13
3.20	Asbestos.....	14
3.21	Premises Risks.....	14
3.22	Fire and Emergencies.....	14
3.23	Lone Working	15
3.24	Personal Safety	15
3.25	Infectious Disease Prevention & Pandemic Management	15
3.26	Agile Working (Including working from home)	16
3.27	Statement on Public Safety	16
3.28	Equalities.....	17
3.29	Occupational Health	17
4.	Arrangements.....	18
5.	Appendices..... Error! Bookmark not defined.	
5.1	Risk Assessment Template	19
5.2	Health & Safety Steering Group – Terms of Reference	20
5.3	Health & Safety Working Group – Terms of Reference	21
5.4	Key Performance Indicators 2021 - 2022.....	22

1. Policy Statement

South Somerset District Council is committed to ensuring the health, safety and wellbeing of all its employees, Members and other persons who may be affected by the Council's activities.

This statement demonstrates the commitment of the Senior Leadership Team to achieve high standards of health and safety and fulfil the requirements of the Health and Safety at Work Act 1974. The Council intend to demonstrate continuing improvement in the management of health and safety.

The Council will ensure, so far as is reasonably practicable, the health, safety and welfare of employees.

The Council will ensure, so far as is reasonably practicable, that the health and safety of other parties is protected where they are affected by Council work activities e.g. the public, service users, residents, contractors and visitors.

The Council intends to apply best practice to the management of health and safety, and, as far as possible, the Council plans to be excellent in our health and safety performance in comparison with the sector. The Council will benchmark its performance in the sector with regular audits.

The Council wants its employees to benefit from their employment with us, and this means that we intend that their safety shall be ensured, and their health shall suffer no detriment, as a result of their work.

The Council will train, inform and supervise its employees to ensure that they are empowered to take responsibility for the safety of themselves and others. We will also consult our employees and work closely with them in the development of our policies and systems.

It is of keen concern to all of us that our operations in no way put the public and our service users at risk. Our policy statement on public safety explains this aim in more detail.

The Council will assess all the risks of its operations and seek to eliminate or reduce these risks where practicable. We will put systems in place for the management of remaining significant risks and apply these suitably with documentation and training. We will monitor to ensure our systems are suitable and properly followed, and review on an annual programme.

The Council will review its corporate health and safety management system, including the way in which its activities are managed and organised by senior management. The Council acknowledges the Corporate Manslaughter and Corporate Homicide Act 2007 which clarifies the criminal liabilities of companies where serious failures in the management of health and safety result in a fatality.

The remainder of this policy explains the systems we will apply to achieve the aims of this statement. The policy will be reviewed annually and whenever there is a change in signatories.

.....

Chief Executive Officer	Leader of the Council
Date.....	Date.....

2. Responsibilities

2.1 Council Leader

- Will take responsibility for the health and safety of the Council in respect of employees and others affected by the Council's work
- Will sign this policy annually

2.2 Council Portfolio Holder for Health and Safety

- Will ensure that all Council decision making covers the health and safety implications of each option
- Will bring to Council attention any serious accident or enforcement action

2.3 Elected members

- Will adequately resource the health and safety requirements of the Council in terms of finance, personnel and time
- Will devote time at one meeting a year of the Audit Committee to considering the Council's Health and Safety Performance Review
- Will work with concern for their own health and safety and that of others whilst carrying out their activities
- Will report all accidents and incidents in which they are involved, however minor
- Will report any near misses or hazards of which they become aware
- Will attend all health and safety training offered and put it into practice

2.4 Chief Executive Officer

- Will take full and final delegated responsibility for ensuring the health and safety of the Council in respect of employees and others affected by the Council's work
- Will sign this policy annually

2.5 Support Services and Strategy Director

- Will ensure that all Senior Leadership Team decision making covers the health and safety implications of each option
- Will chair the Steering Group
- Will present the Health and Safety Performance Review to the Senior Leadership Team

2.6 Senior Leadership Team

- Will take reports from the Steering Group
- Will consider the Health and Safety Performance Review at meetings quarterly
- Will approve this policy and lead on its implementation
- Will ensure that the safety management systems described in this policy are implemented in full across the Council
- Will resource the health and safety requirements of the Council

2.7 Steering Group

The Steering Group is the executive group for health and safety within the Council, which collectively determines and applies the safety management systems of the Council. It reports directly to the Senior Leadership Team, and is chaired by the Support Services and Strategy Director. See Appendix for full Terms of Reference.

2.8 Working Group

The Working Group serves a consultative function, and also carries out much of the underpinning health and safety work of the Council, supporting the development and

assures delivery of SSDC's H&S Policy at the operational level. Its members review safety inspections, accident investigations and risk assessments. It is chaired by a member of the Steering Group and reports directly to the Steering Group. See Appendix for Terms of Reference.

2.9 Lead Specialist – Strategic Planning

- Will have responsibility for liaising with the Competent Person for the Council
- Will write the quarterly Health and Safety Performance Review with input from the Steering Group
- Will arrange the annual Health and Safety Audit
- Will make any reports required under Reporting of Injuries, Diseases and Dangerous Occurrences (RIDDOR)

2.10 Competent Person

- Will advise the Council's management on all aspects of health and safety
- Will ensure that all health and safety documentation and systems are legally compliant and suitable
- Will support specialists within the Council with the details of their role
- Will advise on legal matters; notably, RIDDOR reporting

2.11 Lead Specialists, People Managers, Managers and Specialists

- Will implement the policy in the areas under their control
- Will ensure their staff are suitably trained and records kept
- Will carry out and review the risk assessments to cover the jobs, tasks and activities undertaken by their teams
- Will produce safe systems of work for tasks as required
- Will investigate all accidents and incidents reported by their teams and adjust relevant risk assessments as necessary
- Will arrange or provide first day induction for new starters
- Will carry out or ensure the carrying out of COSHH assessments for substances held or used by their team
- Will manage any lone working risk
- Will carry out the training analysis for their direct reports and volunteers to identify required health and safety training for the specific work or role
- Will arrange all the relevant health and safety training, liaising with the Learning and Development specialist as appropriate
- Will record all training delivered, and maintain training records for their teams
- Will arrange refresher training at the required intervals
- Will hold the Approved list of contractors for their areas.

2.12 Facilities Management Specialist

- Will hold the asbestos register for all premises
- Will hold the property safety compliance documentation for each premises
- Will hold the relevant risk assessments including fire for each premises
- Will arrange for any necessary remedial actions, and will also arrange for reassessments or re-inspections as they become due

2.13 Digital Services

- Will provide and support Health and Safety Technology solutions

2.14 Specialist – Learning and Development

- Will set out corporate expectations for new starters, including health and safety, through an induction framework
- Will maintain an SSDC training standards framework which includes elements of health and safety training
- Will arrange required health and safety training on request from operational managers and team leaders

2.15 Specialist – People

- Will liaise with the Occupational Health provider
- Will ensure that details of accidents, incidents and work related health problems are maintained on individual's personal files

2.16 Team leaders

- Will ensure that their team are familiar with the risk assessments and safe systems covering their work
- Will supervise to make sure that the safe systems are adhered to in practice
- Will encourage the reporting of any accident, incident, near miss or hazard
- Will monitor their team to ensure their well being

2.17 All Staff

(This category includes every employee, whether they have additional responsibilities or not, also agency and temporary staff and volunteers)

- Will report all accidents and incidents in which they are involved, however minor
- Will report any near misses or hazards of which they become aware
- Will be familiar with the risk assessments and safe systems covering their work and work in accordance with them
- Will check and take note of the COSHH information on any substance they use at work
- Will work alone only on low risk work with the approval of their line manager
- Will participate in the risk assessment process, the safety inspections, and any accident investigations that involve them
- Will work with concern for their own health and safety and that of others
- Will attend all health and safety training offered and put it into practice in their work

2.18 Health and Safety Co-ordinator

- Will hold the master copies of the policies and guidance notes and issue them as required
- Will control access to the risk assessments and safe systems database
- Will flag up actions not complete or risk assessment in need of review
- Will control access to the accident and incident reporting and investigation database
- Will pass reports to the relevant manager for investigation
- Will monitor reported accidents and incidents with resulting absence and flag up to the Lead Specialist – Strategic Planning a need for a RIDDOR report
- Will flag up any actions found necessary as a result of accident investigation which have not been completed
- Will produce data and analysis for monitoring and reporting purposes
- Will control access to the COSHH database
- Will upload data sheets and completed COSHH assessments

- Will flag up when COSHH assessments require review or when actions found necessary are not complete
- Will produce reports of accidents/incidents, near misses and hazards and pass these to the Working Group
- Will gather the information needed to process performance on the KPIs and pass it to the Lead Specialist – Strategic Planning
- Will support the Lead Specialist – Strategic Planning in regulating, administering and auditing the management system, and in liaising with the Competent Person
- Will coordinate the H&S working group and steering group
- Will coordinate the lone working personal safety device system
- Will flag up training issues identified through the working group and coordinate with the Specialist Learning and Development manager/People team to ensure appropriate training is coordinated

2.19 Senior First Aider

- Is the Appointed Person for first aid at the Council
- Ensures that all first aid kits are checked and the checks recorded
- Orders required first aid supplies
- Makes sure that first aid is always available when staff are working
- Posts signs to identify the first aiders
- Ensures that first aid given is recorded on the accident form
- Monitors first aid training
- Will ensure that first aid risk assessments are carried out for the Council

3. Organisation

3.1 Health and Safety Leadership

The Elected Members, particularly the Leader, take responsibility for the safe working of the Council, and therefore for any mishap which could befall staff or the public as a result of the actions or inactions of the Council. The Leader is a signatory to this policy.

A Councillor is appointed as portfolio holder for health and safety, and has a duty to act as the conscience of the Council in respect of health and safety. This Councillor will challenge any decision making which has not fully evaluated the risks of all options. They will also bring to the attention of the other Councillors any serious or significant accident.

The Audit Committee will consider the health and safety performance of the Council annually at their meeting which covers health and safety. In particular, the Health and Safety Performance Review will be tabled and considered by the Committee.

In practice, the Councillors delegate the implementation of the policy, and the application of the safety management systems, to their Chief Executive Officer.

The Chief Executive Officer, in conjunction with the rest of the Senior Leadership Team, is primarily responsible for ensuring that a suitable policy and safety management systems are in place, and that these are implemented in full across the Council. The Senior Leadership Team leads on the health and safety effort and resources the work requires. The Chief Executive Officer is a signatory to the policy.

The Support Services and Strategy Director is the nominated Director with particular interest in health and safety at the Council. They chair the Steering Group. They also present the Health and Safety Performance Review to the Senior Leadership Team quarterly. They ensure that health and safety is a prime consideration in the decision making of the Senior Leadership Team.

The Senior Leadership Team have appointed the Steering Group to lead the organisation on health and safety matters. The Steering Group reports to the Senior Leadership Team.

3.2 Committee and Group Structures

The Audit Committee has top level oversight of health and safety at the Council. They delegate responsibility to the Steering Group for developing policies and systems, and for the regular management of health and safety matters. The Steering Group is made up of lead specialists/managers representing all service areas of the Council.

The health and safety Working Group is the consultative group on health and safety for the Council and is made up of a cross section of interested individuals from across all areas. It reports to the Steering Group.

3.3 Steering Group

The Steering Group is chaired by the Support Services and Strategy Director. Annually, the Steering Group commissions an audit and receives the resulting report, revises the policy and puts forward the report to the Senior Leadership team and the Audit Committee. The Steering Group agrees the Key Performance Indicators for use for the following year.

The Chair of the Working Group also attends the Steering Group and feeds back.

The Steering Group meets quarterly. See appendix for Steering Group Terms of Reference.

3.4 Working Group

The Working Group is chaired by the Specialist Service Manager.

The Working Group acts as a consultative forum in which proposals made by the Steering Group can be shared with the wider staff group. The Working Group also originates and carries out projects as required. They have a voice in all decision making. The members of the Working Group are representing their staff team, teams and Union members.

The Working Group meets quarterly. See appendix for Working Group Terms of Reference.

3.5 Health and Safety Documentation and Administration

The Health and Safety Co-ordinator holds the master copies of the policy and guidance notes. They also control access to the database of risk assessments and safe systems of work. They control access to the accident/incident database, and also manage the flow of information via the near miss and hazard reporting system.

The Health and Safety Co-ordinator has the duty of flagging up when policies, risk assessments and safe systems of work require review, and when accident investigation is not completed.

The Health and Safety Co-ordinator collects the information from which the Key Performance Indicators are calculated quarterly and provides it to the Lead Specialist – Strategic Planning.

3.6 Consultation and Communication with Employees

Consultation with employees is largely managed via the Working Group. A Working Group representative is appointed to represent every team and group of workers and Union members. The representative will make themselves available to their group, and will carry forward to meetings any concerns or comments which have not been resolved locally. The representative will also have an involvement in the dissemination of information about new policies and practices, but this is largely managed at organisational level. There is extensive use of the intranet for the communication of health and safety information. As not all employees have access to computers, briefings and the dissemination of written information is used at the base where out of office workers are situated. Consultation with employees, or their representatives, on health and safety matters applies according to the Safety Representatives and Safety Committees Regulations 1977.

3.7 Competent Person

The Competent person role for the Council is fulfilled by an external Health and Safety consultant, who works in close conjunction with Council personnel to understand and integrate with the Council management. The Competent Person is a Chartered Member of the Institution of Occupational Safety and Health. The Competent person provides advice to management at all levels on request, and monitors the general compliance of the Council.

3.8 Key Performance Indicators

Key Performance Indicators are set for each year by the Steering Group and signed off as part of the policy review. These KPIs are established to provide meaningful measures of the organisation's health and safety performance, with an emphasis on proactive rather than reactive measures. A small number of KPIs are chosen, and these are logged and measured day to day by the Health and Safety Co-ordinator. The KPIs for the current

year are contained in an appendix to this policy. KPIs are reported on to the Steering Group quarterly. See Appendix 5

3.9 Health and Safety Performance Review

The Health and Safety Performance Review is a brief report which is drawn up annually and quarterly. It contains the annual performance against KPIs as well as accident and incident statistics and audit findings. This report is drawn up by the Lead Specialist – Strategic Planning in conjunction with the Steering Group and goes to the Senior Leadership Team and the Audit Committee.

3.10 Risk Assessment

Risk assessments are carried out by team leaders and managers to cover any task or activity where there is a significant risk. The risk assessment template is available on the risk assessment database. This database holds all the Council's risk assessments, and flags up risk assessments where actions are needed, and risk assessments which are due for review. Risk assessments uploaded onto the system are reviewed and initialled by the appropriate Manager. This declares that the risk assessment is suitable and sufficient, and that it is approved for action by the organisation.

Risks, which are significant, are those that are not trivial in nature and are capable of creating a real risk to health and safety which any reasonable person would appreciate and would take steps to guard against. Any queries can be clarified with the H&S coordinator, as appropriate.

3.11 Safe Systems of Work

Safe systems of work are produced where the risk assessment raises a need. This will always be the case where behavioural controls on risk are prescribed. The safe systems of work are also recorded on the database, and approved by the Lead Specialist in the same way as the risk assessments above. The safe systems of work are also sent to every worker who carries out the task or activity concerned, and are gone through at induction with new starters.

3.12 Permit Systems

Permit systems are needed for risks which are high, and cannot be fully controlled by the risk assessment controls alone. Examples of situation where permits are required include: hot work, work on or near live electrical systems, entry to confined spaces and access to an unguarded roof or any other unprotected place of work at height. Permits are issued by the relevant manager and held by the individual or team leader for the people doing the work. The permit will state all the precautions to be followed. It is valid for a limited period, and must be signed off by the issuing manager at the end of the allocated time period.

3.13 Control of substances Hazardous to Health (COSHH & DSEAR)

Hazardous substances require COSHH assessment. Flammable and explosive substances require control under Dangerous Substances and Explosive Atmospheres Regulations (DSEAR). The policy of the Council is that flammable and explosive substances shall not be held or used by Council employees or on Council premises with certain tightly controlled exceptions. See DSEAR assessment.

The COSHH register is held online. A bank of datasheets and COSHH assessments is accessible from the Register, which also contains abbreviated risk information for each substances. Again, the Council's policy is that toxic and carcinogenic substances will not be held or used, with limited exceptions.

The use of pesticides is subject to further controls. Special training is required for users, together with designated storage equipment and protective clothing.

3.14 Training

Overall Policy and Objectives:

All employees, no matter at what level they are within an organisation, must be competent to undertake their tasks. One method of achieving competency is through the provision of adequate and appropriate training. The Training Matrix captures the core, corporate principles and expected corporate standards for Training and Development by job family across SSDC. On that basis it provides a training framework that can be used dynamically: in establishing and maintaining training standards for job families at an SSDC level, these can then be cascaded to specific job roles and work areas.

This is achieved by matching each role within the council to the expected qualifications and training requirements for that position, as determined by the recruiting manager. Assessment of these requirements is the responsibility of the recruiting manager on a case by case basis; according to the demands and context of work to be delivered.

Training and development records should be maintained by the manager and reviewed regularly; ensuring staff competencies are the fit for purpose and cover the scope of expected work. It is also the manager's responsibility to ensure compliance to all and any legal requirements of each role. This is supplemented by Risk and Method statements for operations that define training and qualification requirements, where applicable.

Implementation of Training:

Managers have responsibility for identifying training needs for members of their team, with staff encouraged to play an active role in their own professional development. The manager must approve individual training requests and ensure these requests are aligned to the corporate standards captured in the Training Matrix.

When a training requirement is identified, by an employee or manager, the Self-Assessment form should be completed with the Needs Analysis Guide also utilised. The manager should review, approve and forward the request to the L&D Specialist for further approval and processing.

3.15 Monitoring

The Council arranges for a full health and safety audit to be carried out annually, to assess the adequacy of policies and systems, and the adherence to them in practice. This audit is arranged by the Lead Specialist – Strategic Planning on behalf of the Senior Leadership Team. The audit is usually arranged to be complete before the start of the policy review period, in order that its findings can be taken into account. A summary of the audit findings goes to the Senior Leadership team and the Audit Committee as part of the Health and Safety Performance Review.

Safety inspections for each premises and work area are carried out quarterly. These are done by a nominated person from each area, often a member of the Working Group. A checklist for the purpose is held electronically, and completed on a phone or similar device. The completed safety inspection is passed to the manager responsible for the premises or area for remedial action if required and signature. This person will hold the checklists on file.

The premises manager, or person in charge of the work area, will check each part of the area every morning for general and fire safety. In particular, they will walk all fire escape routes and operate fire exits. No record is made of these checks.

The fire marshal for a premises or area will complete the fire checks weekly. These are recorded in the fire log book, and include the testing of the fire alarm.

3.16 Accidents and Incidents

Reporting is required of every accident and incident, however minor. Reporting is electronic, via the accident and incident Microsoft form, which is managed by the Health and Safety Co-ordinator. Send an email to the H&S email address with details of the accident or incident if you have any difficulty in using the database.

An accident or incident form is for when a physical injury is sustained or for any incidents involving violence and aggression. A near miss form is for an unplanned event that did not result in injury, illness or damage – but had the potential to do so. This will include near misses involving either employees or non-employees.

Once an accident or incident is reported, the form thus initiated is sent to that person's line manager for completion of the investigation section. The actions recommended as a result of the investigation are overseen by the Working Group, and are signed off when complete.

RIDDOR reporting is initiated in the first instance by the Health and Safety Co-ordinator, who will identify any major injury, or absence following an injury by their monitoring of the accident incident form database. The Health and Safety Co-ordinator will send the information about the accident to the Lead Specialist – Strategic Planning, who will confirm that it is reportable and make the report on behalf of the Council.

3.17 Near Miss and Hazard Reporting

The reporting of near misses and observed hazards is strongly encouraged. A near miss could be classified as something that has happened in the workplace unexpectedly, which hasn't caused any personal injury, but may or may not have caused damage, and that warrants reporting. It is deliberately made as quick and simple as possible. A report can be made by completing the Near Miss Microsoft form, which is managed by the Health and Safety Co-ordinator. This information will be routed to the appropriate area of responsibility for resolution. The Working Group will monitor progress.

3.18 First Aid

Anyone requiring first aid can identify a first aider from the signs posted in every staff kitchen. The names and photographs of nearby first aiders are posted. These individuals will have a first aid kit to hand, and will be able to attend to minor injuries or ill health, and obtain further help if required.

The senior first aider is the Appointed person for first aid at the Council. They will ensure that first aid kits are checked and there is always first aid available. The People team arrange first aid training, but the senior first aider will prompt if necessary.

At premises open to the public, first aid is routinely made available to members of the public requiring it. Any accidents or incidents affecting members of the public must be reported on the accident incident database in the same way as accidents to staff. The first aider must initiate these reports.

All first aid given must be briefly recorded, usually with the accident report.

3.19 Control of Contractors

Contractors carry out some of the work of the Council. This is still part of the work of the Council, and the Council can outsource the work, but not the responsibility for having it done safely. It is therefore necessary to manage contractors closely, and to ensure their competence and capability in the management of the risks of their work.

This is primarily achieved by asking all contractors working for the Council to accredit with one of the SSiP schemes, such as CHAS or SafeContractor. The Council maintains an Approved List of contractors, and for admission to the list, the contractor must provide their certification from one of these schemes. In addition, the contractor will have to give evidence of insurance, and membership of trade bodies, and, if new to the Council, provide at least two satisfactory references from previous clients.

The Approved List is held and managed by the relevant team. Every contractor on the list is rechecked annually. Information from any member of staff about contractor behaviour and performance can be fed back to the overarching management for adding to the Approved List.

3.20 Asbestos

Any building for which the Council is responsible which was built before 2000 must have an asbestos register. This register must be made available to any contractor or other person who is planning to work on the building. The register lists the known occurrences of asbestos containing material in the building, and also allocates them a risk rating. The information in the register should be shared with contractors in advance, so that arrangements can be made properly if there is any foreseeable likelihood of them disturbing asbestos. The Facilities Management Specialist maintains the asbestos registers and keeps them up to date with regular re-inspections as required. The Registers are available via the Property Services Portal.

At the same time as the register is issued to those planning work on the building, they must be reminded that despite our best efforts, there is always a risk of further unidentified asbestos being present, and they must be alert to encountering it.

3.21 Premises Risks

The Facilities Management Specialist maintains the records for all premises owned or managed by the Council. Amongst those records there must be:

- A current Condition Survey for the wiring with a satisfactory outcome
- A current Gas safety Inspection or Landlord's Gas Safety Record
- A current safety inspection for any oil fired appliances
- A legionella or water hygiene risk assessment
- Insurance examination reports for any passenger lifts or pressure systems
- A fire risk assessment and accompanying records eg fire alarm, emergency light servicing etc

All these documents must be in date, with all recommendations complete or underway.

3.22 Fire and Emergencies

The manager in charge of every premises or work area must have considered the risk of fire and other emergencies. A fire evacuation plan must be in place and known to all those in the premises. This must include:

- A means of raising the alarm
- Awareness of the alarm or signal by all those present
- Guidance and equipment for fighting fire
- Instruction on calling the fire service
- Instruction on leaving the building and safe routes of escape
- An assembly point
- Looking after the public
- Consideration of those with disabilities Personal Emergency Evacuation Plan (PEEPs)

The fire evacuation plan must be in writing, and on display. Fire action notices should also be posted.

If a plan is needed for other emergencies, this may be based on the fire plan. Consider flood, bomb threat, power cut or terrorist incident.

3.23 Lone Working

Whenever a task or activity may be undertaken alone, this should be identified and assessed in the relevant risk assessment. Control on risk are required, and these must include systems to ensure that a colleague knows the whereabouts of a staff member at all times. It is also important that there is a system to ensure that the staff member has finished work safely and gone home.

Not every individual should carry out the more risky lone working. Any health or personal reason why lone working should not be permitted should be identified at the recruitment stage or by way of routine health surveillance. This restriction must be clearly communicated to the line manager of the individual.

Some work should never be done alone. This includes work at heights, work with dangerous machinery, work with large animals and anything for which a permit is issued. See lone working policy.

3.24 Personal Safety

Like employees of any public facing organisation, there is a risk of employees and contractors encountering challenging behaviour from the public. Although physical violence is rare, verbal attacks are not, and can cause great distress. It is important that the line manager for any public facing team is aware of problems affecting their staff, and has systems in place to ensure that no individual becomes overwhelmed.

Managers / team leaders should identify where it may be appropriate for personal safety device(s) to be provided and specific awareness training as appropriate.

Training is available to support staff in dealing with challenging behaviour, and will help to provide strategies that work.

The Council keeps a record of people who have a history of violent or aggressive behaviour towards Council employees but this is not held centrally and is maintained by managers of the relevant services.

3.25 Infectious Disease Prevention & Pandemic Management

(Including but not limited to COVID 19)

The Council strongly encourages that employees follow Government and NHS advice with regard to all potentially infectious diseases or matters relating to public health. The health and safety, both mental and physical, of our employees remains a priority.

This is applicable to all employees, councillors, visitors, contractors, tenants and other persons who enter premises occupied by SSDC.

Where it is necessary, the Council will release guidance of measures by way of changes to procedures and/or working practices to prevent the spread of disease.

Concerning the current COVID-19 pandemic, employees are asked to familiarise themselves with and to follow [Government Guidance](#) with regards to restrictions, social distancing and self-isolation and advice on infection control from the NHS and other public bodies.

The [COVID-19 FAQs](#) are available on the portal and answer questions around leave, self-isolation and sickness. Employees who attend Council premises should follow the

guidance set out in the [COVID-19 workplace guidance](#) or any location-specific guidance, which can be obtained by the relevant member of the LMT.

If employees have any questions they should contact their line manager in the first instance.

3.26 Agile Working (Including working from home)

The SSDC has adopted [agile working principles](#) to facilitate flexibility. Some of the [agile work methods](#) can include home working or working remotely (where the employee's location is not an SSDC premises).

Regardless of where they work, employee's health and safety, both mental and physical, is a priority to SSDC. Managers and employees need to work together to ensure that those who work remotely receive the same health and safety provisions as any other employee.

Managers should ensure that:

- employees complete and regularly update the home working self-assessment checklist
- have access to wellbeing support
- keep in touch and have regular and meaningful one to one meetings
- recognise and act upon the signs of signs of stress
- undertake the appropriate risk assessments
- ensure that employees complete and regularly update their DSE workplace assessment
- source any DSE equipment required
- ensuring that any accidents or ill-health directly related to working from home arrangements are reported in the usual way.
- read the [HSE guidance](#) on protecting home workers for more information.

Employees also have a responsibility to take reasonable care of their own health and safety at work, whether that is at home or elsewhere. They should:

- keep in regular contact with their manager
- tell their manager about any physical or mental health and safety risks or any working arrangements that may need reviewing
- familiarise themselves with guidance from the HSE on [First Aid](#) whilst working remotely. This [Infographic](#) may be useful for other health and safety considerations whilst working from home.

3.27 Statement on Public Safety

The Council has a duty of care not only to its own staff but also to the public who use its facilities, building and public spaces. The Council provides a range of different operations across South Somerset and is concerned to ensure that all its interactions with the public are neutral or positive for the people concerned.

The Council carries out proper risk assessments and safe practices of work at each site. The Council follows the guidance for good practice from the [Institute of Directors and the Health and Safety Executive \(HSE\)](#) in order to meet its legal obligations under the Health and Safety at Work Act 1974.

The Council will:

- Provide premises for public use, which are physically safe, clean and welcoming. These premises will be well signed, accessible, and controlled.
- Warn the public, by means of signs, of risks which are not otherwise fully apparent
- Fit the services given to the public to the individual as far as possible

- Treat each member of the public with respect and courtesy
- Protect the public from risks which are under the Council's control
- Ensure that third party providers of Council Services to the public for example Leisure facilities actively have their own site specific health and safety practices in place.

Any accident affecting a member of the public which results or might have resulted from any action or inaction of the council is to be recorded on the accident incident database.

3.28 Equalities

In accordance with health and safety best practice, this policy and the systems it describes will be interpreted such as to meet the health and safety requirements of individuals, with due regard to their needs and vulnerabilities. This interpretation takes place at the point of use of the systems, where a manager carries out a risk assessment or applies a safe system of work to an individual.

3.29 Occupational Health

The Council accesses an Occupational Health service which includes;

- Pre-employment health screening
- Providing specialist guidance for managers on health conditions and absence
- Health surveillance
- Audiometric testing

The Council also provides an Employee Assistance programme, which is available for use by any employee. This also provides:

- Counselling
- Drug and alcohol advice
- Health promotion initiatives, amongst many other physical, mental and financial related support

4. Arrangements

The Arrangements section of the policy explains how the risks of the organisation shall be managed in practice, applying the systems from the previous section. It can take a number of different forms.

The recommendation in this case is that the Policy Arrangements should take the form of a series of brief policies and Guidance Notes, one for each of the Council's teams, and written by the people concerned. The more risk a particular team is exposed to, the more detail will be required in the Guidance Note.

The Guidance Note should succeed in explaining the safe ways of working in place to a reader with no previous knowledge.

The Policy Arrangements are held locally within the teams.

5. Appendices

5.1 Risk Assessment Template

Task/Activity:		Date:	Client:	Assessor:		
What are the hazards?	Who might be harmed and how?	What are you already doing?	Do you need to do anything else to manage this risk?	Action by whom?	Action by when?	Done

5.2 Health & Safety Steering Group – Terms of Reference

Purpose. The purpose of the Health and Safety Steering Group (H&SSG) is to support the development and delivery of SSDC’s H&S Policy at the strategic level.

To discharge this remit it will;

- recommend H&S processes, procedures and arrangements
- determine and direct risk assessment activity, and
- agree training requirements.

Scope and Outputs. The H&SSG will;

- be responsible for operational risk ownership corporate risk assessment
- conduct and maintain the corporate training needs analysis
- agree competency standards
- maintain managerial oversight and review safety performance across SSDC, including audits and major incidents
- oversee the work and input into the work plan of the H&S Working Group
- submit an annual report to the Audit Committee summarising the Council’s H&S position and work undertaken during the year

Membership

Director Strategy and Commissioning and Support Services	Chair
Environment Services Manager	Risk Owner ¹
Leisure and Recreation Manager	Risk Owner
Lead Specialist Property, Land and Development	Risk Owner
Lead Specialist People	Risk Owner
Locality Team Manager	
Lead Specialist Environmental Health	
Lead Specialist People, Performance and Change	
Lead Specialist Strategic Planning	
Strategy and Commissioning Specialist/Case Officers	Secretariat

Quorum. The H&SSG will be quorate with the chair or a nominated stand-in, 3 Risk owners and 2 others.

Frequency of Meetings. Routine meetings of the H&SSG will be every 12 weeks, with extraordinary meetings convened as required by the Chair.

Reports to:

SLT

Audit Committee

Groups reporting to this committee:

- Health and Safety Working Group

5.3 Health & Safety Working Group – Terms of Reference

Purpose: The purpose of the Health and Safety Working Group (H&SWG) is to support the development and assure delivery of SSDC’s H&S Policy at the operational level. The group will:

- Implement H&S processes, procedures and arrangements
- promote a positive H&S culture throughout SSDC
- consult and represent the SSDC workforce on H&S matters, cascade and communicate decisions

Scope and Outputs: The H&SWG will:

- review reports of accidents, incidents and near misses, the lessons learned from them and appropriate action
- identify training requirements for staff, schedule and request funding for training
- ensure that safe systems of work are reviewed and updated
- review the Health and Safety Policy (at least) annually to ensure it remains fit for purpose
- carry out specific projects as requested by the Health and Safety Steering Group (H&SSG) and also make requests of them
- Develop a work plan to be reported to the H&SSG quarterly and Audit Committee annually or as required. The plan to be realistic, achievable and focussed on delivering the organisations key priorities and strategies.

Membership

Service Delivery People Manager	Chair
Unison representative	H&S rep.
GMD representative	H&S rep.
Service Delivery Specialist – Environmental health	
Service Delivery Team manager – Customer focused	
Service Delivery Specialist team manager	
Service Delivery Lead Specialist - vulnerable customers	
Support Services Specialist team manager	
Support Services case officer (insurance)	
Commercial Services Team leader - Environment services	
Commercial Services Operations manager – arts & entertainment	
Commercial Services Specialist – asset management	
Strategy and Commissioning case officer (health & safety)	Co-ordinator
Yeovil Crematorium manager	
Commercial Services case officer (environment services)	
Commercial Services YIC manager	
Commercial Services Countryside manager	
Commercial Services case officer (property)	
Service Delivery Specialist – Economic Development	
Service Delivery Specialist – Building control	

Quorum. The H&SWG will be quorate with the chair or a nominated stand-in and:

- One trades union representative
- One from each of the 4 Directorates
- At least four others

Frequency of Meetings. Routine meetings of the H&SWG will be every 12 weeks, with extraordinary meetings convened as required by the Chair.

Reports to:

- Health and Safety Steering Group

5.4 Key Performance Indicators 2021 - 2022

Category	Measure	Description	Reason	Source	Target	Reporting frequency
Safety provision	Accidents: to staff, where injury has occurred	Amount of accidents reported. RIDDOR reportable Type Service area Location	Legal requirement to record type and report RIDDOR Analysis will help establish root cause and follow up preventative action. Reduction in insurance claims	TEN system exports and analysis spreadsheet/ H&S database	% Reduction in accidents from previous year with aspiration of nil.	Qtly, in line with WG meetings Monthly data analysis
	Near miss	Amount reported Type Service area Location	Analysis will help establish root cause and follow up preventative action.	TEN system exports and analysis spreadsheet/ H&S database	Comparison with previous years Increase in near miss should indicate reduction in accidents	Qtly, in line with WG meetings Monthly data analysis
	Risk assessments (RAs) and safe systems of work (SSoW)	New RAs for new activities Existing RAs must be up to date reminder by service area, date required	Legal requirement for up to date RAs and SSoW	TEN system/ H&S database RA storage spreadsheet	Number of annual reviews completed compared with number of current/relevant RA held on system Rolling target based on review date due None outstanding	Annual number of outstanding risk assessments by date

Category	Measure	Description	Reason	Source	Target	Reporting frequency
Place of work	Inspections	Number of inspections carried out on plant, machinery and safety systems Service area follow up actions	Legal requirement	Service area records	None overdue 100% inspections complete	Dependant on machinery and service area
Information, instruction and training	Training courses completed	Practical and e-learning courses completed in a year. Number of staff to complete them.	Legal requirements such as: New starter basic training Number of qualified First aiders and Fire Marshalls required for size of organisation Training required by service areas - working at height etc	Training matrix Skills Audit LMS	All staff to undertake Learning Management System (LMS) training Specific appropriate training undertaken in line with legal requirements depending on their role.	Annual
Welfare	Incidents/Violence, Terrorism and Security (VTS): An act of violence or aggression (Physical, verbal or threatened) or incident that has left a member of staff feeling uneasy	Amount reported Service area Location	Analysis will help establish root cause and follow up preventative action.	TEN system exports and analysis spreadsheet/ H&S database	% Reduction from previous year.	Qtly, in line with WG meetings Monthly data analysis

Category	Measure	Description	Reason	Source	Target	Reporting frequency
Community	Accidents to public: where injury has occurred	Amount of accidents reported. RIDDOR reportable Type Service area Location	Analysis will help establish root cause and follow up preventative action. Reduction in insurance claims	TEN system exports and analysis spreadsheet/ H&S database Insurance claims	% Reduction from previous year with aspiration of nil. 3 year rolling average	Qtly, in line with WG meetings Monthly data analysis



Establishment of a Joint Scrutiny Committee in Somerset for the implementation of local government reorganisation

Executive Portfolio Holder: Val Keitch – Leader of the Council
Strategic Director: Jane Portman – Chief Executive Officer
Lead Officer: Jill Byron – Monitoring Officer
Contact Details: Jill.Byron@southsomerset.gov.uk

Purpose of the Report

1. On 21 July 2021 the Secretary of State announced his decision to implement, subject to parliamentary approval, a proposal submitted by Somerset County Council for a single unitary council covering the whole of the administrative county of Somerset.
2. Following the Secretary of State's decision, the Executive of this Council together with the Cabinet/Executives of the Constituent Councils agreed the need for an LGR Joint Committee to be established to provide collaborative democratic oversight for the implementation of the new Unitary Council. The first meeting of that Committee took place on 5 November 2021.
3. The Terms of Reference for the LGR Joint Committee provided for the setting up of a Joint Scrutiny Committee ("JSC") to scrutinise the work of the LGR Joint Committee. This report therefore outlines the proposals for the JSC and attaches at Appendix 1 the proposed Terms of Reference for members' consideration.

Recommendations

4. That Council:-
 - a. approves the establishment of a Joint Scrutiny Committee together with the County Council and three other District Councils in Somerset constituted in accordance with and having the roles and responsibilities set out in the Terms of Reference attached at Appendix 1 ("Terms of Reference").
 - b. nominates two members of Scrutiny Committee onto the Joint Scrutiny Committee, such nominations to be politically proportionate and based upon the political makeup of this Council.

Background

5. Following the Secretary of State's decision, extensive collaborative work has been undertaken by the five councils to support the implementation of the single unitary council in April 2023. Through partnership, the programme governance arrangements have been jointly established with oversight and direction from the Somerset leaders and chief executives. The Executives have agreed the Terms of Reference for the LGR Joint Committee and included provision for the creation of a JSC in those Terms of Reference.
6. The establishment of the JSC will assist in promoting the timely and effective implementation of the proposal approved by the Government and in ensuring that the work of the LGR Joint Committee is appropriately scrutinised. Accordingly, the Monitoring Officers of the Constituent Councils have together prepared the draft Terms of Reference at Appendix 1 for consideration and approval. These Terms of Reference set out the various functions that the JSC will exercise on behalf of the Constituent Councils, together with the proposed membership of the JSC and its meeting and voting arrangements.
7. The establishment of the JSC will create a collaborative democratic mechanism which will establish a countywide scrutiny framework allowing the Constituent Councils to scrutinise the LGR Joint Committee in an effective and timely manner in relation to the preparation for the establishment of the unitary council in Somerset.
8. The proposals set out in this report will also positively respond to DLUHC's expectations for collaborative arrangements to be established as early as possible in the implementation programme.
9. Joint scrutiny committee arrangements are already well established by the five Constituent Councils such as the Heart of the South West Joint Committee and the Somerset Waste Board.
10. The Terms of Reference propose a JSC of sixteen members drawn from the relevant overview and scrutiny committees of the Constituent Councils, eight from the County Council and two from each of the District Councils (eight in total) with the Chair being appointed from the District membership and the Vice Chair from the County membership. The JSC to be politically proportionate as follows:-

	Conservative	Labour	Liberal Democrat	Independent	Green	No Party	Other	
Somerset County Council	33	3	14		2	2	1	55
Seat allocation	5	1	2					
Mendip	12	0	23		1	10	1	47
Seat allocation	1		1					
Somerset West & Taunton	10	3	31		13	2	0	59
Seat allocation			1	1				
South Somerset	14	0	40		5	1	0	60
Seat allocation			2					
Sedgemoor	29	11	7		1	0	0	48
Seat allocation	2	0	0		0	0		
Tota	8	1	6		1	0		

11. Allocation of the above seats has been based on individual councils. This ensures the political make up of each constituent council is represented and is reflective of the fact that the Constituent Councils are currently individual sovereign councils.
12. Any 5 members of the Constituent Councils, to include members from at least 3 of them, may request a call-in of a decision of the LGR Joint Committee. The Chair and the Vice Chair of the JSC will consider call-in requests and will reach a conclusion as to whether to accept or reject the call-in in accordance with the criteria set out in the Terms of Reference and after taking advice from the Scrutiny Officer and Monitoring Officer of Somerset County Council.
13. The establishment of the JSC will both promote the timely and effective overview and scrutiny of the implementation process and ensure that all Councils can play an important role in helping shape the direction of the implementation process but without leading to duplication and delay.
14. The JSC will also be consulted and have an opportunity to make representations to the LGR Joint Committee in relation to budget setting for the new Unitary and any medium-term financial plans.
15. The JSC meetings will be open to all elected members of the Constituent Councils, the public, partners and press to attend in venues around the county. Agenda, reports and minutes of the Committee will be published on the County Council's website along with details of meeting locations and times. The District Councils will publish a link to agenda on their website.
16. A joint scrutiny committee may only be established after each of the Constituent Council has considered that decision at their full council meetings in November/December. Subject to approval, the first meeting of the JSC would take place in late December or early January.

Legal Implications

17. The JSC will act as a Joint Committee under sections 101 and 102 of the Local Government Act 1972 and as an overview and scrutiny committee under section 21 of the Local Government Act 2000 (as amended). This will be to the exclusion of the Constituent Councils' own overview and scrutiny arrangements as far as the work of the LGR Joint Committee is concerned.
18. Each of the partners' legal teams and Monitoring Officers have been involved in the development of the Terms of Reference. The Terms of Reference set out the membership, role, duties and responsibilities of the JSC and the requirements upon the Constituent Councils in supporting it.
19. Sections 15 and 16 of the Local Government and Housing Act 1989 impose a duty to allocate seats on committees in accordance with political balance requirements. Section 17 allows an exception to be made to the political balance requirements but only where no member of the authority votes against such a proposal.

Financial Implications

20. The financial implications of this decision are limited. Under the Terms of Reference Somerset County Council will act as the Administering Authority for the JSC during the months between its establishment and the creation of the Implementation Executive under the SCO. The District Council Scrutiny Officers will work closely with the County Scrutiny Officer in developing the work programme and supporting the JSC. The associated costs of supporting the JSC will be met from approved budgets made available for implementation of the unitary council business case.

Risk

21. The creation of the JSC will place a further formal governance structure around the preparations for the implementation of the new unitary council. This should enable a transparent, open, democratic and accountable culture around LGR and reduce risk.

Carbon Emissions and Climate Change Implications

22. There are no carbon emissions or climate change implications in this report.

Equality and Diversity Implications

23. This report and Terms of Reference have been reviewed by the County and District Monitoring Officers in consultation with the Leaders and Chief Executives and no impacts have been identified. In any event, it should be noted that the Joint Committee, whose decisions will be scrutinised by the JSC,



South Somerset District Council

is required under its terms of reference to take into account the equalities implications of any decision it takes.

Privacy Impact Assessment

24. There are no privacy impact implications

Background Papers

None

Appendix 1

Local Government Reorganisation Joint Scrutiny Committee - Draft Terms of Reference

1. Purpose

- 1.1 Mendip District Council, Sedgemoor District Council, Somerset County Council, Somerset West and Taunton Council and South Somerset District Council (“the Constituent Councils”) have formed a Joint Committee, known as the Local Government Reorganisation Joint Committee (“LGR Joint Committee”) in relation to the implementation of the Secretary of State’s decision to implement a single tier of local government in Somerset (“LGR”).
- 1.2 Paragraph 18 of the LGR Joint Committee Terms of Reference state that “The Councils will separately constitute a joint scrutiny committee or panel, the purpose of which will be to scrutinise the work of the LGR Joint Committee”. The Constituent Councils have therefore agreed to form the Local Government Reorganisation Joint Scrutiny Committee (“JSC”) which will provide overview and scrutiny of the LGR Implementation Plan and the activities of the LGR Joint Committee.

2. Governance

- 2.1 The JSC will act as a Joint Committee under s 101 and s 102 Local Government Act 1972 and as an overview and scrutiny committee under s 21 Local Government Act 2000 (as amended).

3. Scrutiny Function

- 3.1 The JSC will provide the joint overview and scrutiny function for LGR and the Constituent Councils will be asked to delegate the overview of the LGR Joint Committee functions to the JSC. This will be to the exclusion of the Constituent Councils own overview and scrutiny arrangements.

4. Roles, Duties and Responsibilities

- 4.1 The role of the JSC will be to exercise the overview of the LGR Joint Committee functions on behalf of the Constituent Councils in accordance with the powers outlined in S21 Local Government Act 2000 to include:-

- Developing a forward work programme of activities.
- Reviewing or scrutinising decisions made, or other action taken by the LGR Joint Committee.



- Seeking reassurance and considering whether the LGR Joint Committee is operating in accordance with the implementation plan for LGR and is being managed effectively.
- Holding the LGR Joint Committee to account by providing critical challenge to ensure that it provides the high-level strategic direction for the implementation of the new unitary Council.
- Reviewing progress in relation to the implementation plan and identifying to the LGR Joint Committee barriers to progress, best practice and possible improvements.
- Scrutinising the level of requests to be made to each Constituent Council for allocation from their revenue and capital allocations to support delivery of the implementation plan.
- Scrutinising the form, function, and constitution of local community networks.
- Scrutinising the development of the constitution and schemes of delegation for the new unitary Council.
- Scrutinising the plans to align existing change activities cross the Councils.
- Scrutinising the development of the unitary council's annual budget 2023/24 and the associated medium term financial plan.
- Scrutinising the development of policies and protocols for the unitary Council and across the Constituent Councils for use during the transition period.

5. Membership / Substitute Members

5.1 The JSC will be made up of 16 members drawn from the overview and scrutiny members of the Constituent Councils as follows:

- Somerset County Council (8 members)
- Somerset West and Taunton Council (2 members)
- South Somerset District Council (2 members)
- Sedgemoor District Council (2 members)
- Mendip District Council (2 members)

It is proposed that the relevant overview and scrutiny committee of each Constituent Council nominates members from their membership to the JSC. Any subsequent appointments or nomination of substitutes is a matter for the Chair of the respective overview and scrutiny committee of each Constituent Council.

5.2 Political proportionality will apply to those appointments (and to that of any substitute) and the political representation should represent the political make up of each of the Constituent Councils.

5.3 Each member will have one vote.

5.4 Members of the LGR Joint Committee or executive members of the Constituent Councils are precluded from sitting as members of the JSC.

5.5 The Chair of the relevant overview and scrutiny committee of each Constituent Council may appoint an overview and scrutiny member to act as a substitute where one of their members is unable to attend a meeting of the JSC. Substitutions may only be made on a meeting by meeting basis and if the appointed member(s) is unable to attend a meeting of the JSC. Any substitutions must be notified to the Scrutiny Officer of the Administering Council (as defined in Paragraph 9.1. below) (“the Scrutiny Officer”) by 9.00am on the day of the relevant meeting.

5.6 Reflecting the importance of engaging with stakeholders across Somerset, the JSC will be able to invite representatives to meetings where it considers that they will contribute to the delivery of an effective scrutiny function.

6. Term

6.1 The Term of the JSC shall be co-terminus with the duration of the LGR Joint Committee or earlier in the event of a decision of the five Constituent Councils to end the joint scrutiny arrangements.

7. Work Programme

7.1 The JSC will maintain a work programme of activities. Constituent Council scrutiny committees may ask the JSC to consider matters for inclusion in the work programme. The final decision will be a matter for the JSC.

8. Reporting Arrangements

8.1 The work and recommendations of the JSC will be regularly reported to the LGR Joint Committee. Members of the JSC may make reports to their own Constituent Councils in accordance with their own governance procedures.

9. Meetings, agendas, reports and minutes

9.1 The administering Constituent Council shall be Somerset County Council (“the Administering Council”).

9.2 The Administering Council shall appoint a statutory scrutiny officer (“the Statutory Scrutiny Officer”) as defined in S9FB Local Government Act 2000. The scrutiny officers from the other Constituent Councils shall work with the Statutory Scrutiny Officer in supporting the JSC.

9.3 The overview and scrutiny process will be open and transparent in accordance with the Local Government Act 1972 and meetings will be held in public and accessible online to ensure increased transparency.

9.4 The agenda and supporting papers will be published by the Administering Council and circulated at least five clear working days in advance of meetings.



South Somerset District Council

- 9.4 The minutes of any meetings will be published on the Administering Council's website and circulated to the other Constituent Councils as soon as practicable. The JSC will operate in accordance with the constitution of the Administering Council. The Constituent Councils (with the exception of the Administering Council) will each provide a link to the agendas and minutes of the JSC on its website.

10. Frequency of meetings

- 10.1 The date, time and venue of meetings will be fixed in advance by the JSC, and a schedule of meetings agreed at its inaugural and/or subsequent meetings. The JSC will meet every 8 weeks. Dates will be published on the website of the Administering Council. Additional meetings may be convened at the request of the Chair or Vice Chair.

11. Venue

- 11.1 Meetings of the JSC will take place in a number of locations across the County of Somerset and will be rotated around the Constituent Councils.

12. Election of Chair and Vice Chair

- 12.1 The Chair and Vice Chair will be elected at the first meeting of the Committee by members of the JSC. The Chair will be appointed from the District Council membership and the Vice Chair shall be a County Council member. In the absence of the Chair and Vice Chair, the meeting will elect a chair for that meeting.

13. Quorum

- 13.1 The quorum of the JSC shall be 9, including members from at least four of the five Constituent Councils.

14. Declarations of interest

- 14.1 JSC members are subject to the Code of Conduct for elected members adopted by the Constituent Council that nominated them including the requirement to declare relevant interests at formal meetings of the JSC.

15. Voting

- 15.1 Recommendations will generally be reached by consensus, but if a vote is required it will be by a simple majority of all members present. Where there are equal votes the Chair of the meeting will have a second or casting vote.

16. Duty to attend, cooperate and respond

- 16.1 The JSC may require by invitation the Chair of the LGR Joint Committee and/or the Chief Executive Chair of the Implementation Team to appear before it to

explain (in relation to all aspects of the JSC's work) any particular decision or series of decisions. The Chair and Chief Executive have agreed to attend if so required, unless they have a legitimate reason for not doing so.

- 16.2 Following each meeting of the JSC, the JSC's recommendations (if any) will be submitted to the LGR Joint Committee for consideration. The LGR Joint Committee will be required to consider those recommendations at its next meeting and respond to the JSC indicating what (if any) action the LGR Joint Committee proposes to take. The response should be made within 7 days of the LGR Joint Committee meeting and will be published on the website of the Administering Council.

17. Call-in

- 17.1 Any 5 members of the Constituent Councils, to include members from at least 4 of the Constituent Councils, may request a call-in of a decision of the LGR Joint Committee. The call-in must be submitted in writing or by email to the Statutory Scrutiny Officer, indicating its support by all relevant parties along with the reasons for the call-in and proposed outcome(s). The Statutory Scrutiny Officer must notify the Monitoring Officer that administer's the LGR Joint Committee of the call-in request.

- 17.2 "Call-in" is a facility which members can use to challenge Key Decisions where the JSC has not been involved prior to the decision being taken or where a member believes a decision has been taken without the proper process having been followed.

A key decision is defined as:

- (a) Resulting in the local authority incurring expenditure** which is, or the making of savings which are, significant having regard to the local authority's budget for the service or function to which the decision relates; and / or
- (b) Significant in terms of their effect on communities living or working in an area comprising two or more wards or electoral divisions in the area of the local authority.

**There is no definition in the legislation of the word 'significant' in (a) above. Therefore, for the purposes of LGR key decisions the financial threshold at or above which a financial decision is significant (and a Key Decision) will be a total value of £500,000 for capital / revenue expenditure or savings.

Call-in of Key Decisions is subject to the following rules:

- (a) **General provisions:**



- (i) Call-in should be used on an exception basis and not to unnecessarily delay delivery of the Structural Changes Order and / or the implementation plan for the unitary council;
- (ii) An individual Key Decision should normally only be subject to scrutiny once, whether pre or post decision;
- (iii) Key Decisions cannot be called in where the decision requires urgent implementation. Urgent implementation requires the approval of the Chair of the LGR Joint Committee and the Chair of the JSC and their approval shall be recorded in the relevant report;
- (iv) Call-in only applies to decisions. Recommendations (for example, made by the LGR Joint Committee to any of the Constituent Councils) cannot be called-in.

(b) Scrutiny of Key Decisions before they are taken:

This should focus on ensuring that the decision-maker has all the necessary information, to take a fully informed decision and that any procedures have been properly followed. Any scrutiny review at this stage should not pre-empt the decision. The decision-maker must take the views of the JSC into account before taking the decision.

(c) Scrutiny of Key Decisions after they are taken but before they are implemented:

- (i) Key Decisions are published to all members and the public (via the website) within 2 working days of the decision date;
- (ii) Key Decisions (unless urgency is agreed) must be called-in (following the process outlined in 17.1 above) within 5 working days of publication or the decision will be implemented automatically.
- (iii) The Chair and the Vice Chair of the JSC will consider call-in requests against the principles of good decision-making and will either agree the request or detail their reasons for rejecting the request in a report to the next available meeting of the JSC. In reaching their conclusion they will take advice from the Statutory Scrutiny Officer and the Monitoring Officer and a summary of that advice will be included in the report to the JSC;
- (iv) A call-in must specify the subject matter, the reason(s) for it, information required to enable full consideration and the preferred outcome;
- (v) Each call-in will be considered at the next meeting of the JSC unless an alternative is agreed with the decision-maker;
- (vi) The JSC having considered a call-in will report to the decision-maker;
- (vii) Where an item has been subject to pre-decision scrutiny of the process, post decision call-in should normally only relate to the decision itself;



- (viii) If there is no pre-decision scrutiny of an item then the process and/or the decision may be the subject of call-in.

(d) **Scrutiny of Key Decisions after implementation:**

This should only occur where the decision-maker was required to make a decision that was time critical or at a later stage to gauge the effect of the decision. Scrutiny in these circumstances is not part of the call-in process.

18. Code of Conduct

- 18.1 Members of the JSC are expected to observe the “Seven Principles of Public Life” (the ‘Nolan’ principles) and shall be bound by their Constituent Council’s Code of Conduct in their work on the JSC. Members are expected to act in the interests of the JSC, except where this would result in a breach of a statutory or other duty to their Constituent Authority or would be in breach of their Constituent Council’s Code of Conduct.

19. Access to information

- 19.1 JSC meetings are regarded as a council committee for the purposes of the Local Government (Access to Information) Act 1985. Meetings will be open to the press and public unless it is necessary to exclude the public in accordance with Section 100A of the Local Government Act 1972. All agendas, reports, and minutes of the JSC will be made publicly available, unless deemed exempt or confidential in accordance with the above Act. The Freedom of Information Act 2000 provisions shall apply to all business of the JSC.

20. Rules of Procedure

- 20.1 Save as outlined in this Terms of Reference the procedures followed at the JSC meetings shall be in accordance with the overview and scrutiny procedure rules of the Administering Council. In the event of any conflict between this Terms of Reference and the relevant overview and scrutiny procedure rules, the provisions of these Terms of Reference shall prevail.



2021/22 Revenue Budget Monitoring Report for the Period Ending 30 September 2021

Executive Portfolio Holder: Peter Seib, Finance and Legal Services
SLT Lead: Karen Watling, Chief Finance Officer
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Purpose of the Report

1. The purpose of this report is to seek Council's approval for Revised Estimates for the 2021/22 revenue budget based on quarter two actuals and forecasts of the year end position.

Public Interest

2. This report proposes Revised Estimates for this financial year based on revenue budget variations estimated for the 2021/22 financial year. It gives an explanation of the significant key variances and why budgets therefore need to be amended. It also incorporates the continuing impact that Covid-19 is having on the Council finances.
3. Maintaining the financial health and resilience of the organisation is important to ensure the ongoing delivery of priority services within our community. The Council also has a legal obligation to set and maintain a balanced revenue budget position.

Recommendations

4. That Full Council:
 - a. Approve Revised Estimates for the 2021/22 revenue budget as shown in Table One and as described in paragraphs 9 to 33 in this report.
 - b. Approve the deletion and the consequential movement of reserve balances as set out in Table Five.
 - c. Note the forecast year end reserves position shown in Appendix B and described in paragraphs 56 and 57.

Background

5. The 2021/22 original net budget of £16.743m was approved by Council in February 2021. This represents the financial plans that the Executive manages, under their



South Somerset District Council

delegated authority and in accordance with the Financial Procedure Rules. All of the Council's income and expenditure has a responsible budget holder.

6. The Quarter One revenue budget monitoring report advised that the Chief Finance Officer, along with the Finance and Senior Leadership Teams were to undertake an in depth review of the 2021/22 budget as it has become apparent that some projects that were either grant or reserve funded have not been budgeted to show the gross expenditure and income. Although this does not affect the bottom line position, it is important that there is transparency and that the budget fully reflects the use of resources and shows the scale of expenditure being incurred.
7. The Finance team have worked with budget holders and reviewed areas where budget pressures have become apparent. The review involved, where necessary, realigning some historic budgets to reflect current spend and income patterns and identifying additional budget requirements where spend or income is projected to be significantly different from the approved budget.
8. The revised estimates proposed in this report will ensure that the Council has a robust budget which will feed into the updated Medium Term Financial Plan and the budget work that is required for Local Government Reorganisation in Somerset.

Summary of the Current Financial Position and Revised Estimates

9. This report covers the period 1 April to 30 September and a summary of the year to date budget position is shown below in Table One, analysed by categories of expenditure and income. The table also provides a forecast outturn for 2021/22. It is proposed that the forecast outturn is approved as the Revised Estimate for the year.
10. As at the end of September 2021 the forecast revenue budget position is an **under spend** at year end of **£543,900**, which is a **3.18% variance**.

Table One: 2021/22 Year to-date figures and Forecast Outturn



	Year to date - April to September 2021				Forecast Outturn 2021/22		
	Budget	Actual	Variance		Budget	Forecast	Variance
Expenditure							
Employees	£9,496,143	£9,230,774	(£265,369)	97%	£18,313,140	£19,380,020	£1,066,880
Premises	£1,813,010	£1,869,908	£56,898	103%	£3,014,930	£3,325,720	£310,790
Transport	£429,328	£317,763	(£111,565)	74%	£1,015,780	£913,230	(£102,550)
Supplies & Services	£4,219,641	£4,060,030	(£159,611)	96%	£7,389,980	£7,828,820	£438,840
Third Party Payments	£4,006,560	£4,008,947	£2,387	100%	£8,059,410	£8,376,910	£317,500
Housing Benefits payments	£11,985,180	£12,372,557	£387,377	103%	£24,660,360	£24,688,360	£28,000
Capital Financing	£80,500	£30,235	(£50,266)	38%	£2,841,320	(£257,120)	(£3,098,440)
Revenue Reserve transfers	(£190,530)	(£235,255)	(£44,725)	123%	£1,558,300	£1,791,370	£233,070
	£31,839,831	£31,654,957	(£184,874)	99%	£66,853,220	£66,047,310	(£805,910)
Income							
Government grants	(£13,153,748)	(£14,484,357)	(£1,330,609)	110%	(£26,400,120)	(£27,510,120)	(£1,110,000)
Other grants and contributions	(£280,415)	(£989,926)	(£709,511)	353%	(£1,165,700)	(£1,400,350)	(£234,650)
Sales	(£1,044,351)	(£887,435)	£156,916	85%	(£2,046,660)	(£1,769,090)	£277,570
Fees and charges	(£9,365,668)	(£9,447,621)	(£81,953)	101%	(£17,984,630)	(£16,830,550)	£1,154,080
Investment income	(£537,060)	£757,887	£1,294,947	-141%	(£2,148,240)	(£1,973,230)	£175,010
	(£24,381,242)	(£25,051,451)	(£670,209)	103%	(£49,745,350)	(£49,483,340)	£262,010
Net Budget	£7,458,590	£6,603,506	(£855,083)	89%	£17,107,870	£16,563,970	(£543,900)

(Variance column: bracketed figures = underspend / surplus income, unbracketed figures = overspend / income shortfall)

11. Managers have provided a forecast of expenditure and income for the year for their service area as part of their management responsibilities and in line with good financial management and financial procedures rules. This report is a high level summary of the exceptions (budget variances) that managers have forecast. The key variances from the Original Budget approved by Council in February 2021 are explained below along with the rationale for using the forecasts as the basis for the Revised Estimate.

Employees

12. As reported in Quarter One, employee costs are expected to overspend the current approved budget due to the difficulties being experienced by some services, namely Building Control and Development Management, to recruit suitably qualified staff.
13. As a result, these services are currently reliant on the use agency staff and this is at a premium cost. This is an issue facing other authorities and is not specific to the Council. Service Managers are planning a recruitment drive to attract professionals to the authority. But this is not expected to materially make a difference in this financial year and therefore it is proposed that the original staffing budget is increased by £1.066m to reflect the reality of the situation and to ensure continuity of service delivery.

Premises

14. An increase to the original budget is required as, at the 30 September; there is a forecast overspend due to additional business rate expenditure and insurance related expenditure for commercial properties: the latter of which will be recovered from the service charge to tenants when billed.

15. Actual expenditure is currently showing an underspend, mainly related to staff travelling costs and due to the changes to working practices. It is anticipated that this position will remain unchanged during the year and therefore the budget can be decreased by £98k.

Supplies and Services

16. This category of expenditure covers a wide range of costs. The most significant variances to note are forecast overspends on IT of £380k, Development Control consultancy spend of £194k, legal costs overspend of £71k and additional treasury management expenditure of £109k. These are offset by savings of £682k from the Arts and Entertainment budgets arising from reduced performance costs as a result of venue closure due to COVID-19.

Third Party Payments

17. It is forecast that this category of expenditure will overspend by £317.5k mainly arising from additional costs in respect of the Somerset Waste Partnership (SWP).
18. The total forecast overspend for the Partnership is currently £1.186m with SSDC's share being £320k. The Partnership is having to incur additional costs due to Covid 19 (i.e extra cleaning and staggered starts) and the national driver shortage which has also led to the suspension of garden waste collection.
19. These additional costs will be funded from using an element of the COVID grant of £838,000.

Housing Benefit payments

20. The actual position to date is an over spend of £387k: however this is a timing issue between SSDC making the payments and the government giving us the Housing Benefit Subsidy Grant. It is anticipated that the spend relating to rent allowances will be in line with budget at year-end, however, there is a forecast adverse variance of £28k that relates to Discretionary Housing Payments
21. Due to an increase in the number of people who are eligible to apply for a Discretionary Housing Payment the expenditure is likely to exceed the Government funding that the Council will receive: If that is the case the overspend will be funded from the Housing & Homelessness earmarked reserve.

Capital financing charges

22. A zero based budget review of capital financing charges has been undertaken in light of the expanding capital programme and to ensure the MRP (Minimum Revenue Provision) set aside for the repayment of debt and the interest rate assumptions are robust.

23. Table Two shows the original and proposed revised budget: there is a significant reduction in the estimates.

Table Two: Original and Revised Estimates for Capital Financing Charges

Budget Element	Original Budget	Revised Budget	Change
Interest Payable	2,833,150.00	177,770.00	(2,655,380.00)
MRP for Capital Financing	1,641,970.00	1,198,910.00	(443,060.00)
Total	4,475,120.00	1,376,680.00	(3,098,440.00)

24. The changes are complex and technical and result from a combination of factors as follows:

- The financing costs have increased from the Original Budget assumptions because of the increased size of the capital programme – however for this year, and for the medium term, these increased costs are “masked” as they can be funded from the changes explained in the following bullet points.
- The Original Budget assumed that expenditure from the £150m commercial investment budget would be on commercial property acquisitions which would result in both an interest and an MRP cost to the revenue budget. However a significant element of the budget (£46.5m) has been invested in commercial loans to subsidiary companies which, because the loans will be repaid, does not require MRP costs to be charged to the revenue budget.
- Prevailing current Interest rates arising from external borrowing are lower than originally anticipated.
- Notional interest and MRP costs were included in the original Commercial Investment budget as an internal borrowing charge with the amount for interest charges credited to the treasury management as an actual unbudgeted amount at year-end. These notional charges are overstated as compared to the actual costs the council is incurring. The Chief Finance Officer has decided to change this methodology and remove the internal borrowing charges preferring instead to show robust estimates of the actual financing charges likely to be incurred corporately by the Council in the revised budget, and in the budgets going forwards. The impact on the revenue budget from this change is a reduction of £2.4m.

Government Grants

25. As previously reported, the Council has received additional grant funding this year, including a COVID-19 Local Authority Support grant of £838k and a grant from the Contain Outbreak Management Fund of £216k.

26. The Council has submitted a claim for £56k through the Government’s income compensation scheme for COVID related income shortfalls from April to June 2021: which will help to offset some of the shortfalls within Fees and Charges.



South Somerset District Council

27. The grant income is forecast to be fully used this financial year to support the revenue budget position.

Other grants and contributions

28. Income received from grants and contributions is above the budget figure: this is largely due to the success by a number of service managers in obtaining funding from various organisations. The most significant grant funding received to date includes:

- Sports Council England - £181k;
- The Arts Council - £115k;
- National Lottery Heritage Fund - £36k
- The Cultural Recovery Fund - £35k.

29. £236k of the additional grant income will be fully used this year to support the revenue budget.

Sales

30. There is currently a shortfall in sales income of £156k: this was expected as the Octagon and Westlands have been unable to operate as normal. The reduction in income has been offset by reduced running costs and a grant award from the Arts Council of £115k as mentioned in paragraph 30 above.

Fees and charges

31. The fees and charges position to date is showing a surplus against the budget: however, this is because the funding for election running costs was received earlier than anticipated, and the year to date budget did not take this into account.

32. However, the year-end outturn is forecast to be a deficit of income against the budget as there are several income streams relating to demand led services where there are forecast shortfalls. The Original Budget included an assumption that income levels would still be adversely affected by Covid 19 and reduced the 2021/22 budget by £1.3m: however this has not been sufficient. The fees with a significant shortfall against the income target are:

- Car Parking fees - £305k
- Recovery of legal fees - £155k
- Venue hire - £69k
- Building regulation fees - £46k
- Planning application fees - £37k

Investment income

33. The adverse variance showing to date in Table One is a timing issue and relates to accrued income which the Council will receive this year but has not received to date. The year-end projection forecasts a shortfall of £175k against the budget.



South Somerset District Council

This is a significant change to that shown in the Quarter One report which estimated a £780k surplus. The revised forecast arises from the change in budget approach described in the section above on Capital Financing Charges.

Quarter Two revenue budget position for each service

34. Table Three below reflects the current and forecast budget position, for each service directorate.

Table Three: 2021/22 Year to-date figures and Forecast Outturn

	Year to date - April to September 2021			Forecast Outturn 2021/22		
	Budget	Actual	Variance	Budget	Forecast	Variance
Chief Executive	£314,300	£423,803	£109,503	£628,600	£635,910	£7,310
Commercial Services	£1,254,367	£110,088	(£1,144,280)	£6,635,480	£3,576,560	(£3,058,920)
Place & Recovery	£226,710	£341,160	£114,450	£214,140	£213,140	(£1,000)
Strategy & Support Services	£4,698,184	£5,156,804	£458,620	£6,880,220	£7,980,410	£1,100,190
Service Delivery	£965,028	£571,652	(£393,376)	£2,749,430	£4,157,950	£1,408,520
	£7,458,590	£6,603,506	(£855,083)	£17,107,870	£16,563,970	(£543,900)

(Variance column: bracketed figures = underspend / surplus income, unbracketed figures = overspend / income shortfall)

Budget Virements

35. Under the Financial Procedure Rules, providing that the S151 Officer has been notified in advance, Directors/Managers may authorise any virements for an individual cost centre within their responsibility. Directors and Managers can authorise virements, up to a maximum of £50,000, for an overall Directorate that is within their area of responsibility. Portfolio Holders can approve virements between services within their areas of responsibility, up to a maximum of £50,000 per virement.
36. All virements outside of the criteria set out above require the approval of District Executive.
37. A virement for £28k is proposed to fund extensions to fixed term posts, the virement is across directorates and under Financial Procedure Rules such a virement requires District Executive approval. Details of the need for a virement are set out in the next section of the report.

Review of Fixed Term Contracts and Secondments

38. The Senior Leadership Team, in consultation with managers and the unions, have undertaken a review of employees who are on a fixed term contract, or a secondment, or doing additional agreed hours and with these arrangements due to end before 31st March 2023. The purpose of the exercise was to review the business needs for the rest of this financial year, and either extend contracts or make arrangements permanent up to this date. As well as addressing business needs, it also gives the affected employees clarity over their role until this date.

39. This assessment has been finalised, and there is a financial cost for both 2021/22 and 2022/23. The financial implication is an additional cost of £28.2k in 2021/22, which can be funded by an identified underspend on an insurance budget that sits within the Support Services and Strategy directorate. The proposal by the Senior Leadership Team, and agreed by the Chief Finance Officer is to vire the budget underspend to services which have a budget pressure due to the agreed contract extensions or additional hours.
40. The maximum additional cost for 2022/23 is £253,060, however there is a possibility that grant funding to the value of £66,960 will be available reducing the additional budget pressure to £187,100. The 2022/23 additional budget requirement will go forward as a request for funding in the budget setting report.

Council Tax Support and Council Tax

41. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower incomes. The Authority has set an estimate for 2021/22 of £10.402m within the Council Tax Base for annual CTS discounts, and total of £10.320m has been allocated as at the 30 September 2021. The cost of the CTS is allocated through the Council Tax Collection Fund and is shared between the preceptors in proportion to their relative shares of council tax due for the year (SSDC share is 14.13% for 2021/22).
42. The Hardship Scheme is in place for extreme circumstances with a budget of £30k for the year. By the end of September 2021, SSDC had processed 38 applications of which 24 were successful; the amount awarded was £18.2k.
43. The in-year collection rate for Council Tax for this time period is 54.12% for 2021/22 compared to 55.05% for the same period last year. At the end of September 2021, the total of £13.479m outstanding debt relating to previous years had been reduced by £2.003m.

Business Rates

44. The in-year collection rate for Business Rates for this time period is 49.45% for 2021/22 compared to 59.64% for the same period last year. The downturn in collection is due to the impact of COVID-19 on the local economy. At the end of July 2021, the total of £5.502m outstanding debt relating to previous years had been reduced by £741k.
45. Non Domestic Rates income that the Council collects is distributed between Central Government, SSDC, Somerset County Council and the Fire and Rescue Authority under the Business Rates Retention funding system.
46. A Somerset Business Rates Pool (comprising the County Council and the Districts within the County Council area) has provided a positive impact on retained funding from Business Rates since 2018/19, retaining more funding locally rather than redistributed to central government. The pooling arrangement remains in place for



South Somerset District Council

2021/22. The Council's financial plans include an actual gain of £811k in 2021/22 and an estimated gain of £1m for 2021/22 as a contribution towards funding SSDC's Regeneration Programme. Actual gains are not confirmed (and received) until the end of each financial year.

47. An "in principal " decision to continue being a member of the Somerset Business Rates Pool was made by District Executive at its October 2021 meeting in order to meet government's deadline of the 8th October 2021. Confirmation of this will be required within a week of receiving the final finance settlement from central government (in January 2022). District Executive are therefore asked to delegate the formal decision on this matter to the Chief Finance Officer in consultation with the Finance and Legal Portfolio Holder with the expectation being that SSDC remains in the Business Rates Pool.

Earmarked Reserves

48. 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. 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.
49. Table Four below shows all the transfers that have been actioned for the year to date under the delegated authority given in the Financial Procedure Rules.

Table Four: Transfers made (into) and out of Earmarked Reserves

Reserve	Balance at 01/04/2021 £'000	Transfers £'000	Balance at 30/09/2021 £'000	Reason for Transfer
Capital				
Usable Capital Receipts	(18,073)	(10)	(18,075)	Receipt of repaid grants
Revenue				
Capital Reserve	(1,164)	(3)	(1,167)	Receipt of photovoltaic income.
Revenue Grants Reserve	(7,043)	6,590	(454)	Funding of COVID business grants.
Revenues & Benefits Reserve	(1,290)	102	(1,189)	Funding for transitional resources (£168k) less revenues new burdens grant received (£66k) transferred to reserve.
Park Homes Replacement Reserve	(287)	(30)	(317)	Transfer of annual contribution into reserves.
Business Support Scheme (Flooding)	(101)	10	(91)	Transfer to fund the costs associated with the River Parrett Trail
NNDR Volatility Reserve	(4,593)	14	(4,579)	Kickstart project funding
Ticket Levy Reserve	(120)	(15)	(135)	Ticket levies to reserve movements.
Community Safety Reserve	(44)	19	(25)	Funding of the Yeovil One Co-ordinator.
Housing & Homelessness Reserve	(441)	68	(373)	Funding of temporary staffing in 2021/22.
Spatial Policy Reserve	(258)	14	(244)	Transfer of Neighbourhood Planning Grant into reserves (£20K), less funding of a Planning post (£34K).
Climate Change Fund	(167)	105	(62)	Funding of staffing involved in this project.
Community Resilience Reserve	(126)	(120)	(246)	Grants allocated to fund future community resilience projects.

(Bracketed figures = balance or transfer into reserve, unbracketed figures = transfer from reserve)

50. The Chief Finance Officer along with SLT colleagues has undertaken a review of the reserves position and have recently implemented enhanced monitoring



arrangements to better forward forecast the use of reserves. The forecast position as at the end of this financial year is shown in Appendix B.

51. The forecast position includes the use of reserves agreed by District Executive under their delegated authority since the February 2021 Budget Report was approved: namely £413k agreed in July 2021 to fund the Chard Regeneration Project and £107k agreed in October 2021 to fund the 2021/22 costs of employing a S151 Officer.
52. £1.276m of the Regeneration Fund is also forecast to be spent this financial year largely by using it to part fund capital expenditure on the Regeneration Programme but also to fund project management costs. The use of the Regeneration Fund is reported to the relevant Regeneration Boards and overseen by the Strategic Development Board.
53. The forecast position in Appendix B incorporates the recommendations made in Table Five below, on the deletion of some reserves and the consequential movement of balances between reserves. It is important to note that most of the recommendations shown in the table do not result in any new usage of the reserves: the changes are being recommended in order to rationalise the number of reserves held and make more transparent what the reserves are to be used for. The only new usage of reserves being proposed in Table Five is transferring £100k from the MTFP Support Fund to the LGR reserve for spending this year. Appendix B also includes the recommendations made in the Quarter Two capital monitoring report on using £20.2m of reserves to fund the capital programme: the latter are replicated in Table Six for ease of reference.

Table Five: Recommendations to delete and move reserve balances

Earmarked Reserve	Balance £000s
Delete the NNDR Volatility Reserve and move balance into the MTFP Support Fund. This reserve was established to mitigate both the risk of Business Rates income not being received as forecast and for any adverse changes arising from Local Government Funding reforms (for example an adverse Baseline Reset). This reserve therefore is essentially a corporate source of funding to support the Revenue Budget and MTFP position.	4,579
Delete the Yeovil Refresh reserve and move balance into the Regeneration Fund	112
Delete the Transformation Reserve and use balance to establish a new Somerset Local Government Reorganisation Reserve. (The reserve will need to be increased in 2022/23 to fund SSDC's share of the overall Somerset LGA Implementation Budget).	91
Delete various small reserves as they are unlikely to now be needed and move balances into the General Fund Balance (Deposit Guarantee Claims (£12k), Park Homes Replacement Reserves (£316k), Planning Obligations Delivery Reserve (£30k), Planning Delivery Reserve (£16k), Health Inequalities Reserve (£30k), Insurance Fund (£50k).	455
Move the Area Committee balances from the General Fund Balance into a new earmarked reserve	113
Fund the agreed carry forward of 2020/21 revenue budget, existing commitments, and the balance of any over or underspend in this financial year from the MTPF Support Fund instead of the General Fund Balance	68

Transfer of £100k from the Medium Term Financial Support Fund reserve to the Local Government Reorganisation earmarked reserve as it is anticipated that additional costs will be incurred in the period to 31 March 2022.	100
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Table Six Recommendations to use reserves to fund the existing capital programme

Earmarked Reserve	Balance £000s
Allocate £2m of the Useable Capital Receipts earmarked reserve to the Octagon Theatre Project to fund estimated expenditure for this and next financial year	2,000
The use of the remaining amount currently in the Useable Capital Receipts earmarked reserve to fund the revised 2021/22 capital programme	16,000
The use of the Capital Fund earmarked reserve to fund the revised 2021/22 capital programme	1,167
The use of the Commercial Investment Risk Reserve to fund capital works required in 2021/22 on the Council's commercial property portfolio	482
The use of the Cremator Replacement Capital Reserve to part fund the Yeovil Crematorium Project in 2021/22	549

General Fund Balance

54. The General Fund Balance, if the recommendations shown in Table Five above are agreed, will now comprise of an unallocated revenue reserve available to be used for unforeseen risks and costs. The year-end balance is forecast to be £5.268m.
55. The current assessment of the minimum balance requirement is £2.8m. It is advisable to continue to hold a balance above this minimum to provide headroom and flexibility to manage risk and to avoid falling below recommended levels. A review of the minimum level balance requirement will be undertaken and reported in the February 2022 Budget Report.

Summary of Overall Forecast Reserves Position

56. The Council held £60.886m in capital and revenue reserves as at the beginning of this financial year, 2021/22. If Council approves the use of reserves to fund capital expenditure shown in Table Six, and given other planned expenditure undertaken via delegation, then the balance of reserves at the year-end is forecast to be £29.522m.
57. Ignoring the movements between reserves recommended by the Chief Finance Officer shown in Table Five above, the key transfers into and out of the reserves explaining the estimated net use of reserves during this year (of £32.36m) are as follows:
- Transfer of Business Rated Pooling Gain of (£0.8m - estimated figure) **into** the Regeneration Fund.
 - Transfer of New Homes Bonus (£1.2m) **into** the MTFP Support Fund.
 - Transfer of received Covid grants (£1.1m) **into** the Covid Recovery Reserve and the Covid Grant Reserve to fund Council Expenditure.

- **Use of Capital Receipts Reserve (£18m)** to fund Octagon Theatre Project and 2021/22 capital expenditure.
- Use of revenue earmarked reserves (£3.5m) to fund 2021/22 capital expenditure (Capital Fund, Regeneration Fund, Commercial Investment Risk Reserve, and Cremator Replacement Capital Reserve).
- **Use of Businesses Rates S31 Grants Reserve (£11.7m)** to fund Collection Fund deficit.

Financial Risks

58. As part of monitoring, an assessment of risk has been made and details of the current key risks are listed below with an update from the responsible officer.

Current Risk	Responsible Officer	Officer's Update
Interest Rates	Chief Finance Officer	Interest rates remain low but there is a strong possibility of a future increase in the bank rate due to rising inflation rates. Regular meetings with our external Treasury Management advisers are held to inform us of the potential risks and any need for action.
Level of borrowing needs	Chief Finance Officer	Recent and ongoing deep dive financial reviews on the council's regeneration programme have identified an increased need to borrow to fund the capital expenditure required. The Chief Finance Officer is making a number of recommendations in the quarter 2 capital budget monitoring report to reduce SSDC's borrowing needs by the use of earmarked reserves to fund capital expenditure plans.
Increase in Pay Award above amounts assumed in the Council's budget	This issue is a national one	This year's pay award for local government services employees remains unresolved as the unions have rejected the National Employers' full and final one-year pay offer that covers the period 1 April 2021 to 31 March 2022. The employers' offer will increase the bottom pay point by 2.75 per cent and would increase all other pay points by 1.75 per cent. The higher increase on the bottom pay point will ensure that the sector is compliant with the statutory National Living Wage of £9.50 that will come into effect on 1 April 2022. However, negotiations on any 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. The unions have confirmed the timetable for their industrial action ballots, which will take place over the next three months.
Business Rate Income	Director-Service Delivery	The collection rate is down by 10.19% compared to the same period in the previous year quarter 2. This is a volatile measure affected by the timing of summonses and payments made by large businesses.
The Council Tax Support Scheme	Director-Service Delivery	The original budget for 2021/22 is £10.402m and a total of £10.320m has been awarded as at 30 September 2021. If costs exceed the assumption in the Council Tax Base this recovery risks a deficit in the Collection Fund to be paid in subsequent years in proportion to precept totals.
Housing Benefit Subsidy	Director-Service Delivery	Current predictions are for the housing benefit subsidy to be on budget at the year-end but the outcome will not be confirmed until the subsidy claim is externally audited in autumn 2022.

Current Risk	Responsible Officer	Officer's Update
Covid-19 and particularly its impact on income budgets	Senior Leadership Team	We continue to monitor the effects of the pandemic on our service provision and budget and particularly on our income from car parking charges, planning fees, Council Tax and Business Rates. SSDC holds sufficient reserves to compensate for any income shortfalls in the short to medium term.

Council Plan Implications

59. The budget is closely linked to the Council Plan, and maintaining financial resilience and effective resource planning is important to enable the Council to continue to fund its priorities for the local community.

Carbon Emissions and Climate Change Implications

60. There are no implications currently in approving this report.

Equality and Diversity Implications

61. When the budget was set any growth or savings made included an assessment of the impact on equalities as part of that exercise.

Privacy Impact Assessment

62. There is no personal information included in this report.

Background Papers

Budget Setting reports to Full Council in February 2021.

Quarter One 2021/22 Budget Monitoring report to District Executive in September 2021

Quarter Two 2021/22 Budget Monitoring report to District Executive in December 2021

Appendix A

The following virements should be noted:

Value £	From	To	Description
3,820	Community Leisure	Planning Policy	Transfer of budget
24,000	Housing	Housing – 188 Sherborne Road	Transfer expenditure budget
24,000	Housing	Housing – 188 Sherborne Road	Transfer income budget
94,980	Goldenstones 10 yr plan Wincanton Community Sports Centre 10 yr plan	Goldenstones Mgmt Wincanton Community Sports Centre	Consolidation of budgets
205,130	Various	Information Systems	Centralisation of budget

Usable Reserves 2021/22 Year End Forecast
Appendix B

Service	Reserves	Balance as at 31/03/2021 £'000	2021/22	2021/22	Estimated
			Estimated Transfers IN £'000	Estimated Transfers OUT £'000	Balance as at 31/03/2022 £'000
Corporate Capital Programme	Usable Capital Receipts	-18,073	-10	16,730	-1,353
	Internal Borrowing Reserve (Vehicle Purchases)	-149	0	0	-149
	Corporate earmarked capital reserves total	-18,222	-10	16,730	-1,502
Somerset Local Government Reorganisation	Local Government Reorganisation Reserve (renamed from Transformation Fund)	-91	-100	191	0
	LGR Total	-91	-100	191	0
Commercial Services & Income Generation	Commercial Investment Risk Reserve	-6,606	-137	482	-6,261
	Cremator Replacement Capital Reserve	-549	0	549	0
	Yeovil Athletic Track Repairs Fund	-198	-19	6	-211
	Artificial Grass Pitch Reserve	-162	-18	10	-170
	Waste Reserve	-100	0	0	-100
	YIC Maintenance Reserve	-40	-20	0	-60
	Commercial Services Total	-7,654	-194	1,047	-6,801
Place & Recovery	Regeneration Fund (including Yeovil Refresh Reserve)	-3,109	-811	1,276	-2,644
	Ticket Levy Reserve	-120	-15	0	-135
	COVID Recovery Reserve	0	-464	464	0
	Place & Recovery Total	-3,229	-1,290	1,740	-2,779
Service Delivery	Revenues and Benefits Reserve	-1,291	0	506	-785
	Housing & Homelessness Reserve	-441	-20	144	-317
	Park Homes Replacement Reserve	-286	-30	316	0
	Business Support Scheme (Flooding)	-101	0	10	-91
	Closed Churchyards Reserve	-19	0	0	-19
	Climate Change Fund	-167	-263	120	-310
	Community Housing Fund	-170	0	170	0
	Community Initiatives Reserve	-163	-140	303	0
	Community Resilience Reserve	-126	-191	314	-3
	Area Committee Reserves	-113	0	6	-107
	Planning Obligations Admin Reserve	-30	0	30	0
	Planning Delivery Reserve	-16	0	16	0
	Deposit Guarantee Claims Reserve	-12	0	12	0
	Service Delivery Total	-2,937	-644	1,947	-1,634
Support Services & Strategy	Bristol to Weymouth Rail Reserve	-72	0	1	-71
	Spatial Policy Reserve	-258	-20	122	-156
	Election Reserve	-214	-40	0	-254
	Sports Facilities Reserve	-51	0	51	0
	Community Safety Reserve	-43	0	43	0
	Health Inequalities	-31	0	31	0
	IT Replacement Reserve	-10	0	0	-10
	Support Services & Strategy Total	-680	-60	248	-492
Corporate Financial Reserves	COVID Grant Reserve for Council expenditure	0	-595	595	0
	Revenue Grants Reserve	-525	0	72	-453
	Business Rates S31 Grants 2020/21	-11,703	0	11,703	0
	NNDR Volatility Reserve	-4,592	0	4,592	0
	Medium Term Financial Plan Support Fund	-4,880	-6,307	1,716	-9,471
	Insurance Fund	-50	0	50	0
	Capital Reserve	-1,164	-3	1,167	0
	Treasury Management Reserve	-750	-50	0	-800
	Internal Borrowing Repayments (Vehicle repayments)	-321	0	0	-321
	Corporate Financial Reserves Total	-23,986	-6,955	19,895	-11,046
	Total Usable Earmarked Revenue Reserves	-38,576	-9,243	25,068	-22,752
	General Fund Balance	-4,201	-1,067	0	-5,268

N B This excludes the amount of £6.590m held by the Council as agent to the government for Covid Business Grants

2021/22 Capital Monitoring Report Period Ending 31st October 2021

Executive Portfolio Holder:	Peter Seib, Finance and Legal Services
SLT Lead:	Karen Watling, Chief Finance Officer
Lead Officers:	Anthony Morris, Specialist, Finance Paul Matravers, Lead Finance Specialist
Contact Details:	Anthony.Morris@southsomerset.gov.uk 01935 462317

Purpose of the Report

1. To inform Members of the forecast capital spend for the year 2021/22 and how this is to be funded along with an explanation of the key differences from the original capital budget agreed by Council in February 2021.
2. To seek approval from Council for Revised Capital Estimates for 2021/22 along with revised capital funding plans including the approval to use Council earmarked reserves to fund expenditure in this financial year.
3. To seek approval from Council to cease all investment purely for yield capital expenditure from December 2021 onwards.

Public Interest

4. Capital expenditure is expenditure on assets such as land, property, ICT equipment, and the refurbishment of existing assets that will prolong the useful life of the asset (such as replacing a roof). Lending to third parties is also capital expenditure in the majority of cases. This report sets out details of the expenditure estimated to be incurred by SSDC in 2021/22, how this is to be financed, and compares the expenditure to the approved capital budget, both for individual projects and for the overall programme.
5. SSDC has a large and ambitious multi million pound capital programme that is planned to deliver many of the Council's key strategic priorities as set out in the Corporate Plan. The size and funding of capital expenditure has a direct impact on the Council's revenue budget when capital expenditure is funded by borrowing as the financing costs of the borrowing are a cost to the revenue budget.

Recommendations

6. That Council approves: -
 - a) Revised Capital Estimates for the financial year 2021/22 of £42.965m (as described in paragraphs 11 to 17 and as shown in detail in Appendix A).



South Somerset District Council

- b) The removal of the unspent Commercial Investment budget from the capital programme (of £8.643m) and the cessation of investment purely for yield capital expenditure from December 2021 (as described in paragraphs 31 to 40).
- c) Approval to increase the capital programme by £482k to fund capital works on the Council's Commercial Property Portfolio as described in paragraph 15.
- d) Approval to increase the programme by £600k to fund a potential strategic property acquisition for regeneration purposes (and not purely for yield) as described in the confidential Appendix B.
- e) Revised capital funding plans as described in paragraphs 23 to 29 including the approval to use £20.2m of corporate Council earmarked reserves to fund expenditure in this financial year as follows:
 - i. The allocation of £2m of the Useable Capital Receipts earmarked reserve to the Octagon Theatre Project to fund estimated expenditure for this and next financial year.
 - ii. The use of the remaining amount currently in the Useable Capital Receipts earmarked reserve, of £16m, to fund the revised 2021/22 capital programme.
 - iii. The use of the Capital Fund earmarked reserve of £1.167m to fund the revised 2021/22 capital programme.
 - iv. The use of the Commercial Investment Risk Reserve of £482k to fund capital works required on the Council's commercial property portfolio in 2021/22.
 - v. The use of the Cremator Replacement Capital Reserve of £549k to part fund the Yeovil Crematorium Project in 2021/22.

Background

- 7. Full Council approves the capital budget in February each year. Council has also agreed a reserve programme comprising of projects that have been agreed in principal. Monitoring of the agreed programme is delegated to District Executive and is undertaken on a quarterly basis (although a Quarter One position was not produced in 2021/22 due to a temporary lack of capacity in the Finance Team earlier this year). District Executive also agrees each quarter whether the capital budget is amended, within the overall programme approved by council, to reflect any known changes to the project or its funding or whether reserve projects can be added to the capital budget.
- 8. The Chief Finance Officer along with Senior Leadership Team (SLT) colleagues has undertaken an enhanced review of the 2021/22 capital programme, i.e. a more in-depth review than is normally the case for the quarterly budget monitoring process. We have reviewed the programme in terms of priority of the expenditure, when the expenditure is likely to take place, and the officer capacity to deliver the projects. A further iteration of this review process will be undertaken before the District Executive and Council meetings in February 2022. This will include those projects that District Executive, at its 2nd December 2021 meeting,



asked officers to review again before final proposals to remove them from the capital programme are made to full Council.

9. It is proposed to change the previous methodology of agreeing reserved schemes “in principle”. Given that that Local Government Reorganisation will mean a new unitary authority will be in existence in April 2023 it is important for SSDC to now fully agree and “fix” its capital programme for this and the next financial year. The reserved schemes shown in the February 2021 Capital Budget Report have therefore either been incorporated into the Revised Estimate proposals for 2021/22 shown in this report, or have been deferred to 2022/23. The latter will be reviewed by SLT and the relevant Portfolio Holders and may seek Council approval to be included in the 2022/23 programme in February 2022.
10. Members are also reminded that in September 2021 they approved the recommendation of the Chief Finance Officer to show the total gross expenditure budget for the Regeneration Projects rather than the net position (i.e net after other, largely external, funding sources had been applied); up to this report the net budget only had been included in the capital expenditure budget. This change, along with that proposed in paragraph 10 above, should aid in enhancing the understanding and improving the transparency of SSDC’s capital programme.

Overall Forecast Capital Position for Q2 2021/22

11. Total spending is forecast to be **£42.965m**; this is £15.755m (58%) more than the original **£27.210m** of planned expenditure agreed by Council in February 2021. A report giving the detailed 2021/22 forecasts by scheme/project is attached at Appendix A. A summary of the budget movements producing the overall net increase is shown in Table One below.
12. It is recommended that the forecast outturn position is approved by Council as the Revised Estimates for 2021/22.

Table One: Movements from the 2021/22 Original to the Revised Capital Estimates

	£ 000
2021/22 Original Capital Budget (approved by Council February 2021)	27,210
Over/(Under) spend	300
Slippage from 2020/21 into this financial year	2,920
Re-profiling - expenditure forecast to slip into future years	(10,563)
Re-profiling - expenditure brought forward from future years	2,430
Moving Commercial Investment budget from “reserved” programme	18,625
New capital expenditure approved by Council since February 2021	2,043
Proposed 2021/22 Revised Estimates	42,965

N.B: bracketed figures are decreases from the original budget

13. The net increase is partly “cosmetic”, in terms of the impact this has on the funding of the budget, as some of this is a result of moving planned expenditure from the “reserved” commercial investment budget into the capital programme. Other movements from the February 2021 agreed capital programme are due to changes in the profiling of already approved capital expenditure: either bringing

forwards expenditure from future years to this year and/or slipping the expenditure into future years.

14. Council has however approved increases in the capital programme since the programme was approved in February 2021. These were for leisure works capital which incorporated the prior Goldenstones and Wincanton schemes and required an increase of £2.46m to the existing budget to bring the total to £3.495m (not all of which is to be spent this financial year). The Octagon Theatre redevelopment was approved in March 2021 at a total budget of £23.01m (with expenditure primarily occurring in future years).
15. The revised estimates contain the additional capital budget (£600k) seeking approval from Council (details of which are set out in confidence in Appendix B of this report. In addition new budgets are requested totalling £482k to undertake capital works on our existing commercial properties at Sherwood Road (Bromsgrove), Alchemy (Welwyn Garden City), Trafalgar House (Taunton), King William House (Bristol,) and Lyndon Place (Birmingham). Details of the works are given in Appendix A. Approval is sought from Council to use the Commercial Investments Risk Reserve to fund this expenditure.
16. Members should note that two schemes within the capital programme will need to come back to Council in February 2022, with Business Cases, to seek approval for an increase in their capital budgets should Members wish to complete the schemes to deliver the scope and outcomes originally intended. These schemes are the Decarbonisation Programme for Council Buildings and the Yeovil Crematorium Project.
17. The current's year's approved capital budget for the Decarbonisation Programme assumes that all the required expenditure will be spent by the end of the financial year to take advantage of the PSDS grant window (which may be extended after the current 31st March 2022 cut-off date). There is some risk therefore (valued at £120k to £600k) that not all works/orders will be complete by then, which would mean that SSDC would have to fund this.

Outcomes delivered through capital spent to-date

18. Spend to-date on the capital programme is £22.837m which is 55% of the revised programme. The spend-to-date figures are illustrated in Pie Chart One below. Key areas of capital expenditure spent to-date are briefly described below:
 - £6.013m Commercial Loans to SSDC Opium Power for the Battery Storage Scheme at Fareham – to be repaid in line with loan agreements.
 - £9.203m in commercial Investment Properties (Lyndon House, Birmingham; St John's Retail Park, Taunton) – generating new income to fund services to our communities.
 - £5.948m on Town Centre Regeneration – the majority of this expenditure was for the Chard Regeneration Project - improving the town centre to stimulate economic growth.



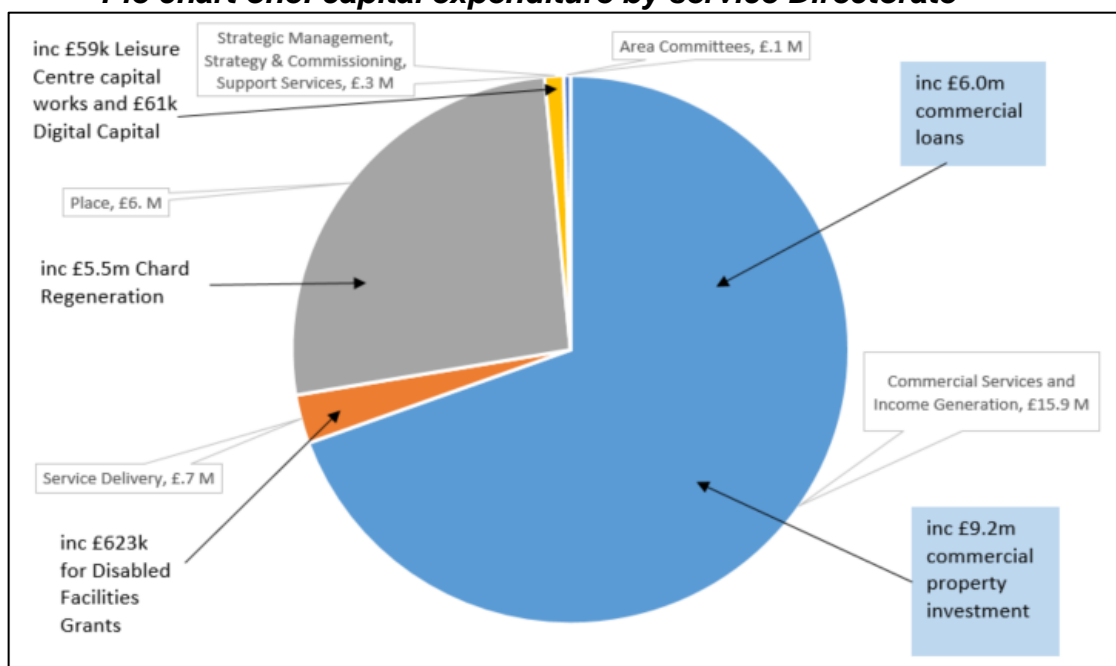
South Somerset District Council

- £623k Disabled Facilities Grants – enabling aids and adapting private properties to support living at home.
- £223k John O'Donnell Pavilion – upgrading and improving to provide better leisure and recreation services.

Capital Spending Pattern

19. The graph and Table Two below show the actual spend compared to the original and revised budgets for the last 5 years. The current year shows Q2 actual spend against the full year spend forecast.

Pie chart one: capital expenditure by service Directorate



Graph One: SSDC Capital expenditure against budgets for the last five years

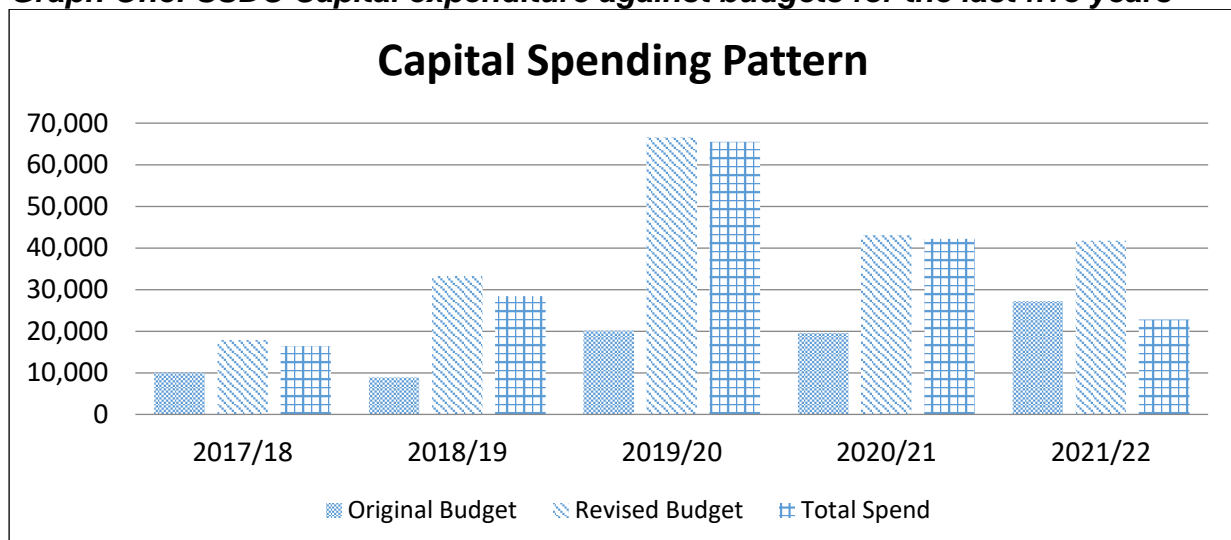


Table Two: SSDC Capital expenditure against budgets for the last five years

Year	Original Budget	Revised Budget	Total Spend	% of Budget Spent
	£'000	£'000	£'000	%
2017/18	10,064	17,863	16,424	92
2018/19	8,908	33,251	28,414	85
2019/20	20,130	66,547	65,482	98
2020/21	19,549	43,109	42,177	98
2021/22	27,210	42,965	22,837	53

Completed schemes (including feasibility)

20. Table Three below shows the projects/schemes completed this year to-date with a value over £25k.

Table Three: Projects over £25k completed to-date

Scheme	Revised Budget £'000	Actual Spend £'000	Within acceptable limits?	Responsible Officer
Firewalls & Security (Civica Upgrade)	41	45	Y	T Beattie

21. In order for an over/under spend to be within acceptable limits, the variation should be within £10,000 or 5% (whichever is greater) of the revised budget. On this basis, the completed schemes (including those below £25k) are within an acceptable margin of the overall budget.

Area Committee unallocated capital balances

22. Each Area Committee was allocated an additional £25,000 in February 2021 for schemes in 2021/22. The table below shows that following scheme approvals in 2021/22, unallocated capital balances have decreased by £285,000 from the position at the start of the year.

Table Four: Unallocated capital balances for each Area Committee

	Area East £'000	Area North £'000	Area South £'000	Area West £'000	Totals £'000
Position at start of financial year	55	120	123	69	367
Additional resources approved by DX	25	25	25	25	100
Transfers to/(from) reserve during year	-9	-94	-112	-70	-285
Position at Quarter Two	71	51	36	24	182

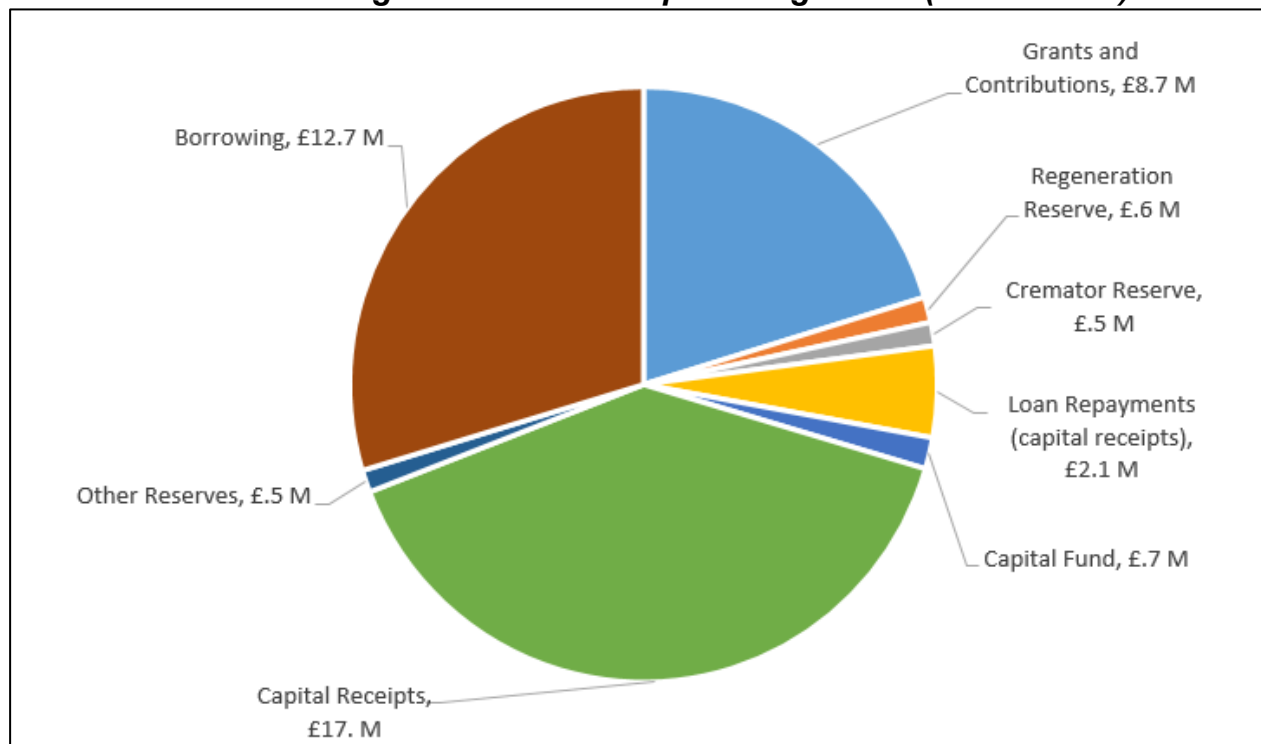
Funding of the Capital Programme

23. The proposed funding of the revised 2021/22 capital programme is shown in Table Five and illustrated in pie chart two. Prudential borrowing is funding 41% of the expenditure incurred.

Table Five: Financing of the 2021/22 Capital Programme

Financing Source	£'000
Specific Funding:	
Grants and Contributions	8,705
Regeneration Fund (earmarked reserve)	594
Proposed use of Cremator Replacement earmarked reserve	549
Other Reserves (primarily Commercial Investment Risk Reserve)	521
Loan Repayments (capital receipts) from SSDC Opium Ltd and Somerset Waste Partnership	2,126
<i>Subtotal</i>	12,495
SSDC Funding:	
Proposed use of Capital Fund (earmarked reserve)	730
Proposed use of Useable Capital Receipts earmarked reserve	16,994
Borrowing	12,746
<i>Subtotal</i>	30,470
Total Financing Required	42,965

Pie Chart Two: Financing of the 2021/22 Capital Programme (of £42.965m)





24. The borrowing amount of £12.7m is a combination of internal and external borrowing, with the forecast split being £7.9m internal and £4.8m external. Internal borrowing is when the Council uses its cash balances to temporarily fund its need to borrow. The use of these cash balances is only temporary. Continual monitoring of the Council's cash position is undertaken to ensure a working capital cash balance is maintained and if this is estimated to be at risk a switch is made from internal to external borrowing.
25. External borrowing is the action of obtaining loan finance from a third party. As described in the MTFP Refresh report presented to District Executive at its meeting in October 2021, SSDC currently meets its external borrowing needs though short-term loans on a rolling basis with other local authorities. It is proposed to continue this strategy given that such borrowing is currently cheap and also gives flexibility to the new successor council.
26. Borrowing (both internal and external) comes at a cost to the council's revenue budget through external interest charges, interest income foregone from holding cash (although this is minimal given current low interest rates), and through the requirement to fund future loan repayments by charging MRP (Minimum Revenue Provision) costs to the revenue budget. The latter is a charge to the revenue budget both for internal and external borrowing.
27. The funding strategy shown in Table Six above requires Council approval to use corporate Council reserves, as follows:
 - The allocation of £2m of the Useable Capital Receipts earmarked reserve to the Octagon Theatre Project to fund forecast expenditure during this and next financial year. This funding will help improve the financial viability of the overall proposal which is currently at risk because of the high inflationary cost pressures currently being experienced in the construction industry.
 - The use of the remaining amount currently in the Useable Capital Receipts earmarked reserve, of £16m, to fund the revised 2021/22 capital programme. This earmarked reserve has been built up over the years from the sale proceeds of land and property previously owned by SSDC. It seems appropriate therefore that this reserve is used to fund existing SSDC capital expenditure. The recommendation, if agreed by Council, would also result in lowering the borrowing needs of this Council by £16m which benefits SSDC's revenue budget by £300k annually and, moving forwards, that of the new successor unitary Council. The use of the reserve will however mean that SSDC has less cash balances with the result that more external rather than internal borrowing will need to be undertaken.
 - The use of the Capital Fund earmarked reserve of £1.164m to fund the revised 2021/22 capital programme. This earmarked reserve is historic and has been built up from charges made to the revenue budget intended, but never used, to fund capital expenditure. The use of this reserve will have the merit of reducing SSDC's borrowing needs as explained in the paragraph above.

28. Officers are currently reviewing the possible use of the remaining forecast balance in the Regeneration Fund earmarked reserve to fund the Regeneration Programme in order to further reduce borrowing needs. Firm recommendations on this are not being proposed here because some of the estimated balance contains assumptions on the amount of Business Rates Pool Gain SDC will receive and officers are awaiting updated estimates on this amount.
29. Approval will also be sought from the Strategic Development Board at its meeting scheduled on the 7th December 2021 to use existing CIL (Community Infrastructure Levy) funds to fund Regeneration Projects that meet the agreed criteria.

Outstanding Loans to Third Parties

30. As part of the agreed loans policy the amount of any outstanding loans lent to third parties at the end of each financial year must be reported to this committee. As at 30th September 2021 the following loans were outstanding:

Table Six: Outstanding loans lent to Third Parties as at 30th September 2021

Third Party	Original Sum Lent £	Fixed Interest Rate	Outstanding at 30/09/21 £	Period of Loan	Final Repayment Date
Hinton St George Shop	190,000	2.76%	136,033	19 years	November 2034
Somerset Waste Partnership (1)	1,567,216	2.22%	453,853	7 years	August 2023
Somerset Waste Partnership (2)	4,150,062	3.19%	3,543,807	10 years	October 2029
OPIUM Taunton	14,508,705	Various	12,680,005	7.5 years	July 2026
OPIUM Fareham 1	18,690,559	Various	18,690,559	25 years	March 2047
Elleston	132,000	5.00%	47,000	7 years	2026/27
Total Outstanding			36,026,231		

Investment purely for yield

31. On 26th November 2020 HM Treasury introduced changes to PWLB (Public Works Loans Board) lending terms which effectively mean that any new “investment purely for yield” commercial activity after that date cannot be financed using PWLB borrowing – the source most used by councils to obtain loan finance. The restriction also applies to other capital expenditure (for example regeneration and leisure projects), if the council has “investment purely for yield” activity in its capital programme in that financial year.
32. In order to now get a PWLB loan:
- Councils must submit a high-level description of their capital spending and financing plans for the following 3 years.



- The S151 Officer must certify that the borrowing is not to be used to fund investment assets with the primary objective of generating yield.
33. 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.
 34. PWLB will continue to support the following categories of spending as long as there is no “investment purely for yield” activity planned in the budget: service spending, housing, economic regeneration, preventative action, treasury management (e.g. refinancing of existing debt). Recent clarifications from HM Treasury have led to the understanding that debt existing before the 26th November 2020 arising from “investment purely for yield” can be refinanced using PWLB loan finance.
 35. CIPFA (Chartered Institute of Public Finance and Accountancy) has recently consulted on proposed changes to the Prudential and Treasury Management Codes and revised codes are due to be published on 21st December 2021. English and Welsh local authorities are required by regulation to “*have regard to*” the Prudential and Treasury Management Codes when carrying out their duties under Part 1 of the Local Government Act 2003. Councils can choose not to implement the Codes but must state why they are not doing so.
 36. The changes aim to define more clearly, with examples, on what borrowing activities, commercial activity, and investments are permitted by local authorities and will prohibit borrowing “to invest primarily for financial return’. There will also be the requirement to report on a new indicator termed the “liability benchmark”. CIPFA wishes, by making its definitions less flexible in interpretation, to stave off intervention by central government and the possible return of a capital controls system where government determines the amount of capital individual councils can spend.
 37. The Prudential Code amendments propose that authorities should consider selling commercial investments to repay debt or reduce new borrowing requirements rather than take on new borrowing. The Local Government Association has asked CIPFA to clarify this further before the Revised Code is published later in the month.
 38. CIPFA has announced a “soft launch” for the revised Code, and asks that councils try to implement some of the requirements if they can for 2022/23 with full implementation in 2023/24. This does not apply to the “core principles” including that of not borrowing ‘to invest primarily for financial return’ which should be applied immediately.



South Somerset District Council

39. It is therefore recommended to Council that SSDC now ceases its capital investment for yield expenditure as this does not comply with the requirements of the revised Prudential Code. It is our understanding, after taking advice on this issue from our external advisers Arlingclose, that the revised code does allow capital works to modify or enhance already owned commercial property to be undertaken and we are proposing such capital works in the revised capital estimates shown in Appendix A.
40. The financial impacts of the recommendation are (a) £8.643m (6%) of the £150m commercial investment budget will be unspent and will be removed from the capital programme and (b) the net impact on the revenue budget after accounting for financing charges arising from borrowing, will be an opportunity cost of not receiving new additional income in the region of £216k to £259k per annum (reflecting the current net yield on investment arising from acquiring commercial property of 2.5% to 3%).

Financial Implications

41. These are contained in the body of the report.

Council Plan Implications

42. The budget is closely linked to the Council Plan, and maintaining financial resilience and effective resource planning is important to enable the Council to continue to fund its priorities for the local community.

Carbon Emissions and Climate Change Implications

43. There are no implications currently in approving this report.

Equality and Diversity Implications

44. When the budget was set any growth or savings made included an assessment of the impact on equalities as part of that exercise.

Privacy Impact Assessment

45. There is no personal information included in this report.

Background Papers

Budget Setting reports to Full Council in February 2021
MTFP Refresh Report to District Executive

Capital Programme 2021/22 - 2024/25

Scheme	Overall Project Budget £000s	Spend in Previous Years £000s	2021/22 Original Budget £000s	Actual Spend to 31/10/21 £000s	2021/22 Forecast Spend £000s	2022/23 Forecast Spend £000s	Future Years Unitary Authority £000s	Total Forecast Project Spend £000s	Forecast Underspend (-) / Overspend £000s	Status	Commentary
COMMERCIAL SERVICES & INCOME GENERATION											
Westlands Building Improvement Works	800	74	125	77	125	601	0	800	0	In progress	£125k spend in Q1-2 in 21/22. SLT sorting out capacity issues to deliver the project in 2022/23.
Upgrade Joanna France Building	27	0	0	0	27	0	0	27	0	In progress	Licence with Athletics Club complete and works being completed against specification. Release of funds to Club due throughout Q3
Fleetmaster Replacement	57	0	57	0	57	0	0	57	0	in progress	Resources available to complete by March 2022 - needed ASAP
Access for all footpaths within various open Spaces	218	0	218	0	134	84	0	218	0	Scoping	there has been a significant increase in material cost and we are reviewing the proposals
Riverside Park Planting Scheme	23	17	5	0	5	1	0	23	0	In progress	Covid 19 has continued to cause delays to project work at Riverside Park due to lack of volunteers on site and visitor pressure increasing the workload for the rangers. Work is now programmed in for Autumn 2021.
Ninesprings Café Extension	3	2	0	0	0	0	0	2	-1	Not in progress	Project cancelled due to lack of officer capacity and Covid delays. Recommend to Council to remove unspent budget.
Works to Chard Reservoir Dam & Outlets	18	0	18	6	15	3	0	18	0	Ordered & In progress	Topographical survey for Chard Reservoir and dam arrangement, review of on site Flood Plan and Completion of Final Measures in the Interests of Safety report all due by March 2022 from consulting engineers to satisfy Environment Agency requirements.
Installation of PV Panels on Ninesprings Café	10	2	8	0	0	0	0	2	-8	Not in progress	Recommend to Council to remove unspent budget. Scheme may proceed subject to new bid proposal for 22-23 under phase 2 of the decarbonisation project
Yeovil Rec O'Donnell Pavilion upgrade	398	228	170	223	223	0	0	451	53	In progress	All practical building works complete. Facilities open and trading. Grant funding currently being drawn down to cover what is showing as overspend.
Installation of PV Panels on J O'Donnell Pavilion	30	0	30	0	30	0	0	30	0	Not in progress	Schemes may proceed subject to new bid proposal for 22-23 under phase 2 of the decarbonisation project
Battery Storage or LED Bulbs at Yeovil Rec	10	0	10	0	10	0	0	10	0	Not in progress	decarbonisation project
Prior years' Commercial Lending		34,528	0	0	0	0	0			Completed	Loans made in line with agreed loan schedules – progress on individual projects linked to these reported within quarterly Investment Asset update reports to Executive.
Commercial Lending - OPIUM Fareham		0	0	6,013	8,430	0	0			In Progress	Completed prior years commercial property acquisitions
Prior years' commercial property investments		83,943	0	202	202	0	0			Completed	Completed prior years commercial property acquisitions
Investment in Commercial Property - Costa Coffee		0	680	9	700	0	0			In Progress	Development including all professional fees. Commercial investment budget funded
Investment in Commercial Property - Lyndon House, Birmingham	150,000	0	0	2,649	2,663	0	0	141,357	-8,643	Completed	Commercial investment budget funded
Investment in Commercial Property - Fitness First, Poole		2,726	0	5	5	0	0			In Progress	Commercial investment budget funded
Investment in Commercial Property - St John's Retail Park		0	0	6,352	6,460	0	0			Completed	Commercial investment budget funded
Investment in Commercial Property - Trelleborg, Bridgwater		0	0	0	850	850	0			In Progress	Refurbishment of Unit 1 and building of unit 3. Commercial investment budget funded
Sherwood Road, Bromsgrove (commercial investment)	80	0	0	0	7	0	73	80	0	Not in progress	Minor works to boundary wall with Sherwood Road. Future provision for end of tenancy refurbishment not covered by dilapidations settlement
Alchemy, Welwyn Garden City (commercial investment)	60	0	0	0	20	0	40	60	0	Not in progress	End of tenancy refurbishments not covered by dilapidations settlement
Trafalgar House, Taunton (commercial investment)	40	0	0	0	5	10	25	40	0	Not in progress	Installation of low level wall in front of unit 1C/D to prevent Eagle Logistics reversing lorries over manhole. New mains supplied fire alarm and WC to unit 5 on tenant vacation.
King William House, Bristol (commercial investment)	500	0	0	0	100	100	300	500	0	Not in progress	Installation of new lift, refurbishing GF WC, converting reception to bike store, Improved access to roofs, part replacement of roofs
Lyndon Place, Birmingham (commercial investment)	800	0	0	0	350	450	0	800	0	Not in progress	Proprietary leak prevention system, resolving car parking issue to include new fencing around parking

Yeovil Innovation Centre - 1st Floor Fit-Out	320	299	0	0	21	0	0	320	0	Not in progress	
Yeovil Innovation Centre - Car Park Extension	94	88	0	0	0	0	0	88	-6	Completed	Completed project.
Car Park Enhancements	235	207	28	0	28	0	0	235	0	In Progress	Shortly seeking quotes to replace lighting at Goldenstones car park. Should be complete by March 2022
New Car Parks	810	597	200	3	213	0	0	810	0	Not in progress	
Car Park Improvement Works	310	0	310	4	90	220	0	310	0	Not in progress	
West Hendford Car Park Crime Reduction Improvements	50	0	50	0	50	0	0	50	0	In Progress	Several elements to overall project
Enhancement to SSDC Bldgs	559	388	171	0	171	0	0	559	0	Part in progress	Retain £30k for Brympton Way Covid enhancements. Review of remaining balance.
Brympton Way Building Improvement Works	105	21	84	82	84	0	0	105	0	Not in progress	
Capital Works to Council Portfolio	139	17	132	0	50	72	0	139	0	Not in progress	
Operational Buildings Improvement Works	165	0	165	0	65	0	0	65	-100	Part in progress	Recommend to Council to remove £100k from the programme and retain £65k for new alarm panel Wincanton and access to PV panels on roofs
Decarbonisation of Operational Buildings	2,800	0	400	0	2,800	0	0	2,800	0	Partly in design, partly in progress	This is for phase 1 of the programme which is focusing on the leisure sites with the aim of having the heating and other works completed by March to make use of the grant funding available. A further capital bid for new capital budget in 2022/23 will be proposed to February 2022 Council for the remaining work to SSDC's other operational buildings to fulfil the original project scope.
Land Drainage Maintenance Improvements	25	0	25	0	0	25	0	25	0	Design	Works pushed into spring (weather constraints). Resources available with ES to deliver
District Wide CCTV Contribution to new system	25	0	0	0	25	0	0	25	0	Completed	Awaiting invoice from Sedgemoor
Digital Upgrade of Yeovil Town Centre CCTV Cameras	86	21	65	0	65	0	0	86	0	In Progress	Order in for 6 cameras to replace failures.
Birchfield Leachate Pumping Station	45	0	15	23	45	0	0	45	0	Design	To be completed by March 2022.
Prigg Lane Garage Roof Renewal	10	0	10	13	13	0	0	13	3	In Progress	Spend anticipated to take place in 2021/22
Yeovil Small Business Centre Roof Renewal	65	0	65	0	0	65	0	65	0	Design	Required. Work likely to be summer 2022
Chard Business Park, Roadway Adoption, Embankment Landslip	125	0	125	0	0	125	0	125	0	In Progress	All been designed but awaiting comments from county council highways department
Access Easement, Stoke Sub Hamdon	20	0	20	0	20	0	0	20	0	In Progress	Project work has commenced although it's not urgent with Phosphates issue delaying the associated development project
Demolition of Public Conveniences, West Street, Crewkerne	20	0	20	18	20	0	0	20	0	Completed	All work complete, remaining invoices to work through
Footbridge Assessment & Works	40	0	10	0	5	35	0	40	0	Definition	We have a number of footbridges across the district that we appear to have responsibility for. This project is on recognition that these bridges are not on an inspection regime and is to assess their condition and any repairs. It was envisaged this would be to employ a structural engineer consultant to carry out this work, It needs doing to ensure H&S of public using the asset but resources have prevented thus far.
Rowan Way Embankment Landslip	50	0	50	0	15	35	0	50	0	Design	
Lufton Ditch Surfacing and Drainage Works	85	20	85	0	20	45	0	85	0	Scoping	Works progressing due to be completed as scheduled
DELETTI EV Charger Project	250	0	250	0	250	0	0	250	0	In Progress	This has been resource heavy due to difficulties with the legal documents. However, we are within touching distance with the Concession Agreement and the draft lease agreed. It is anticipated that we will be signing leases within the next 2/3 weeks for the first tranche of 4 and the other 23 sites (approx.) will follow. Probably most spend will be in 2022/23 due to DNO timeframes but most will be committed by end of 2021/22
Yeovil Crematorium 5 year plan	686	684	0	0	0	0	0	684	-2	Completed	
Yeovil Crematorium Refurbishment	4,100	1,190	2,514	31	1,405	1,505	0	4,100	0	In Progress	New Cremator on order. Additional budget will be needed to complete original scope of the project. A report will come to Council in February giving the options available. Indications are that the extra budget required may be in the order of £820k
Petters Way Refurbishment	250	224	0	0	26	0	0	250	0	Not in progress	
Gas Control System - Birchfield	570	130	440	0	25	415	0	570	0	Design	Methane Stripping plant required for new Wessex Water emission limits
Contingency for Plant Failure	174	0	174	0	174	0	0	174	0	Not in progress	
Trimax mower	0	0	0	13	13	0	0	13	13	Completed	
Telehandler - Merlo TF42.7	0	0	0	32	32	0	0	32	32	Completed	
Woodchipper Forst ST6p	0	0	0	15	15	0	0	15	15	Completed	
4.5 Tonne Compact Sweeper	0	0	0	76	76	0	0	76	76	Completed	
Iseki SF224 Mower	0	0	0	18	18	0	0	18	18	Completed	
Total for Commercial Services & Income Generation	165,287	125,406	6,729	15,867	26,252	4,641	438	156,737	-8,550		

SERVICE DELIVERY											
Disabled Facilities Grants	2,771	0	1,228	623	750	1,407	614	2,771	0	In Progress	Brought forward previous year's grant of £1.228m. We have received a further £1.4m in 2021/22. Spend is delayed due to internal resources and contractor availability. Management are reviewing the project to try and address contractor shortfall.
Careline Product Development	20	0	20	0	20	0	0	20	0	Not in progress	
Empty Property Grants	1,324	1,263	0	0	61	0	0	1,324	0	Not in progress	
Home Repairs Assistance	1,482	1,386	0	11	48	48	0	1,482	0	In Progress	Working to spend in new financial year
Home Repairs Assistance	60	0	60	0	30	30	0	60	0	In Progress	Working to spend in new financial year
HMO Grants	781	737	0	15	44	0	0	781	0	In Progress	Current underspend predicted but spend in Q3 and Q4 could change as more HMO visits completed
Barnabus House	45	23	0	0	22	0	0	45	0	In Progress	Works fully funded through MHCLG grant. Works delayed due to COVID; planned for Q3 2021/22
LOCALITY (PHW)											
Grant for Youth Facilities	5	0	5	0	0	5	0	5	0	Scoping	Possible allocation being considered with group
Wyndham Park Play Area Equipment	208	136	41	0	0	72	0	208	0	Scoping	Assessing options for Muga and Play area
Jarman Way, Chard - Play Area Equipment	42	14	28	0	28	0	0	42	0	In progress	Project starting November 21
Snowden Park Play Area Equipment, Chard	66	66	3	0	0	0	0	66	0	Completed	Project complete.
Ilminster Recreation Ground	44	0	44	0	44	0	0	44	0	In progress	Project completion due October/November 21
Old Kelways Play Area, Langport	54	41	0	0	0	13	0	54	0	Postponed	Priority project for next financial year
Flagship Play Area	142	119	25	8	8	15	0	142	0	In progress	Ship and tower refurbishments completed. Remaining to be spent on upgrading play area
Grant to Milborne Port Rec	136	37	0	0	0	99	0	136	0	Postponed	Stalled due to capacity issues. Reengage with group
Langport Memorial Ground New Changing Facilities	7	3	4	0	0	4	0	7	0	Postponed	Stalled. No capacity within group to move project forward at this time
Renewal of Skate Park provision in Area South	340	0	210	0	0	340	0	340	0	In progress	Company now allocated- Funding to be agreed with YTC and Capital bid to follow- All completed and installed by Nov 2022
Huish Episcopi Swimming Pool	509	438	0	0	71	0	0	509	0	In progress	We are still awaiting further S106 in order to be able to make further payments to Huish Episcopi.
Forton Playing Pitches, Chard	85	86	85	0	0	0	0	86	1	Completed	This money have been fully spent and the land has been purchased. The intention is to develop this land for pitches when additional land is secured adjacent to this site through planning obligations.
Holyrood Sports Hall	20	17	0	0	3	0	0	20	0	Completed	Final payment made on this 23/7/2020. If there is further money remaining I would suggest that this is reallocated to offset some of the capital expenditure on the Chard Pool. If would have been strategic leisure obligations and therefore could be used for this purpose in my opinion, You might need Jackie Hamblin to confirm this.
Ilminster Cricket Club	52	17	35	0	0	35	0	52	0	Design	Finalising plans for Pavilion- ongoing discussions
Caryford Community Hall	21	0	21	0	21	0	0	21	0	In progress	Phased project. Funding to be paid by year end
South Petherton Cricket Club	34	29	5	0	0	5	0	34	0	Postponed	Contacting Parish Clerk for update
Wyndham Park Community Facilities	400	0	400	0	0	400	0	400	0	Not in progress	Funded by S106. Locality officer currently working with Wyndham Park on their facilities. Confirmation of work plan to follow
Home Farm, Somerton	298	0	298	0	298	0	0	298	0	Not in progress	Historic amount for site on buildings at risk register.
Gypsy & Traveller Acquisition Fund	150	17	133	0	133	0	0	150	0	Not in progress	
Infrastructure & Park Homes Contingency	0	0	91	0	0	91	0	91	91	Not in progress	Investigating whether there is a legal requirement to replace park homes (Tintinhull and Ilton). Will come back to DX and council on whether budget is needed.
Subtotal for Service Delivery	9,096	4,429	2,737	657	1,581	2,564	614	9,188	92		
PLACE											
Chard Regeneration	19,964	10,393	5,956	5,501	7,783	908	433	19,517	-447	In Progress	Leisure Centre opened Nov 21. Chard HAX & other public realm works progressing.
Yeovil Refresh	21,567	830	2,696	446	4,012	17,015	310	22,167	600	In Progress	Public Realm works commenced at Westminster Street. Major developments subject to review which may have consequential affects on Future High Streets Fund grant. Possible coworking space not included in budgets and forecast. Recommended addition to capital budget in 2021/22 for item discussed in confidential session on this committee's agenda.
Octagon Redevelopment	23,015	0	0	0	730	1,698	20,587	23,015	0	In Progress	Project in RIBA stage 2 Concept Design - Construction targeted to commence Jan 2023.
Wincanton Regeneration	5,673	45	1,860	0	120	1,639	10	1,814	-3,859	In Progress	Regeneration Board decision not to continue with White Horse development. A summary of where the project is will be given in the February 2022 capital budget report.
Affordable Housing - North Street, Crewkerne	1,040	780	0	0	0	260	0	1,040	0	In Progress	Drainage issues now rectified - Phase 2 due to complete April 2023
Affordable Housing - 4 Properties Chard Working Mens Club (Stonewater)	216	162	54	0	54	0	0	216	0	In progress	Scheme now progressing well with completion set for Sept 2021.
Affordable Housing - The Link Day Centre	5	5	0	3	3	0	0	8	3	Completed	Scheme completed.

Affordable Housing - Unallocated	1,863	0	1,863	0	0	1,863	0	1,863	0	Not in progress	Exploring possible options to give grant to Stonewater Housing Association to part fund Passiv Haus Scheme - but will seek Council approval for this is February 2022 within the overall context of the capital budget
Affordable Housing - Rural Contingency Fund	500	0	500	0	0	500	0	500	0	Not in progress	SLT currently exploring whether SSDC has the capacity to implement these schemes. Will
Affordable Housing - Bought not Built Allocation	201	0	201	0	0	201	0	201	0	Not in progress	
Affordable Housing - Mortgage Rescue Contingency Fund	277	0	277	0	277	0	0	277	0	Not in progress	
Investment in Market Housing	731	0	731	0	0	731	0	731	0	Not in progress	
Market Towns Vision	722	377	345	22	172	173	0	722	0	In Progress	Budget largely allocated but spend depends on towns finalising work and submitting invoices for grants allocated
Subtotal for Place	75,774	12,592	14,483	5,973	13,151	24,988	21,340	72,071	-3,703		
SUPPORT SERVICES, STRATEGY & COMMISSIONING											
Organisational Performance Management and Appraisal / Engagement System	40	0	0	0	0	0	0	0	-40	Not in progress	Of limited value to invest in light of LGR. Recommend to Council to remove from capital programme
Leisure Centres Capital Works	3,495	0	924	59	100	3,395	0	3,495	0	In progress	April 2021 Council agreed to refurbish leisure centres as part of exercise of procuring leisure centre operators. Part of this sum was financed from previous Goldenstones and Wincanton capital budget of £924k
Lyde Road Pedestrian & Cycle Way, Yeovil - phase 1	250	0	250	0	0	250	0	250	0	In Progress	Phase 1 is going ahead as planned and SCC Highways will be on site in April 2022. Part funded from Active Travel Grant (£150k) and section 106 monies.
Lyde Road Strategic Cycleway, Yeovil - phase 2	129	0	129	0	0	129	0	129	0	Not in progress	Tendering process to start in Q4 2021/22 with works to complete in 2022/23
Lufton 2000, Yeovil - All Phases	1,520	1,280	240	26	26	214	0	1,520	0		0
Capitalised Salaries	3,181	3,031	0	0	150	0	0	3,181	0	In progress	Allocation of budget will be made in line with time spent on various capital projects.
Loan to Somerset Waste Partnership for Vehicles	5,000	4,125	875	0	875	0	0	5,000	0	In progress	Second draw down of loan will be 21/22.
ES Upgrade	99	70	63	51	63	0	0	133	34	In progress	The upgrade of the financial system was completed in July, the outstanding items of the upgrade which are V1 Capture and Collaborative Planning are programmed to the implemented before the end of the financial year
Firewalls & Security (Civica Upgrade)	41	30	0	15	15	0	0	45	4	Completed	
Omni-Channel Telephony	10	0	0	10	10	0	0	10	0	Completed	
Online Procurement Building Package (SX)	18	0	18	18	18	0	0	18	0	Completed	
Home Working Furniture	0	0	0	12	12	0	0	12	0	Completed	
ICT Replacement	36	0	36	0	36	0	0	36	0	Scoping	Capital bid to be made to February 2022 Council to seek increased budget to undertake digital enhancements to Lufton depot.
Digital Capital Reserve Programme	135	0	135	61	135	0	0	135	0	In Progress	Device standardisation £30k, security upgrade £15k, Upgrade DR capability £40k, Modern workplace £50k
Transformation	22	0	22	0	22	0	0	22	0	Not in progress	
Meeting Room AV Upgrade	50	0	50	0	50	0	0	50	0	In progress	Purchase orders raised for new tech in the Yellow floor flexible meeting space & the delivery of a mobile conferencing facility . Once installed these will be used to inform how best to upgrade all meeting spaces to make them optimised for Teams and hybrid meetings. The remaining budget will be used to cover targeted improvements in multiple meeting rooms in BW and possibly at Petters and Lufton. Scheme has been delayed due to the global shortage of semi-conductors which has impacted on the supply chain.
Subtotal for Support Services, Strategy & Commissioning	14,026	8,536	2,742	252	1,512	3,988	0	14,036	-2		

AREA COMMITTEES										
AREA NORTH										
Support of Economic Vitality in Area North (Signage for marketing programme)	20	17	0	0	3	0	0	20	0	Schemes prioritised which are community led and include additional partnership. Enquiries regarding brown signs have not come through to full application as they don't fulfil SCC criteria. Programme extended to include interpretation and business signage. £4,410 awarded and paid to Langport Town Council for signage Sept 19.
Hamdon Community Arts Project (HCAP)	13	0	0	0	13	0	0	13	0	Agreed at Area Committee w/e 24/04/20. Still in progress.
RAMA CIC	11	0	0	11	11	0	0	11	0	Agreed at Area Committee w/e 14/04/21. Minibus purchased and capital element of grant paid. Grant offer £12,500 Capital funding £11,000 and revenue grants £1,500. This has now all been paid and completed
Langport Transport Group	6	0	0	0	6	0	0	6	0	Agreed at Informal Area Committee w/e 26/05/21.
South Petherton Tennis Club	13	0	0	13	13	0	0	13	0	Agreed at Informal Area Committee w/e 26/05/21. Balance was paid on 19.10.21 so now completed
Long Sutton Cricket Club	13	0	0	0	13	0	0	13	0	Agreed at Informal Area Committee w/e 14/07/21. Project delayed until spring next year due to supplier issues
Stoke Sub Hambdon Parish Council	17	0	0	0	17	0	0	17	0	Agreed at Informal Area Committee w/e 14/07/21.
South Petherton Bowls Club	13	0	0	0	13	0	0	13	0	Agreed at Informal Area Committee 24.3.21
Petherton Arts Trust	10	0	0	0	10	0	0	10	0	Agreed at Informal Area Committee 24.3.21
Kirkham Street Community Trust	13	0	0	0	13	0	0	13	0	Agreed at Informal Area Committee 24.3.21
Unallocated Budget North	0	0	145	0	51	0	0	51	0	
AREA SOUTH										
Yeovil to Ilchester Multi User Pathway-Feasibility	2	0	0	0	2	0	0	2	0	Alternative cycle way within Area South is being investigated. An application has been submitted to the County Council's small improvement grant programme. Discussion are ongoing regarding this project. Awaiting decision from County Council
West Coker Commemoration Fund (WCCF)	7	0	0	6	7	0	0	7	0	Approved at Area South Committee w/e 15/06/20. Project still ongoing?? Accountancy informed in June that this was completed under budget and completed. Remaining funds can be transferred back to unallocated funding
Yeovil Refresh allocation	151	0	0	0	0	151	0	151	0	
Yeovil Summer Theatre Company	13	0	0	13	13	0	0	13	0	Approved at Informal Area South Committee w/e 12/05/21. Full amount paid on 18th August. Project completed
Unallocated Budget South	136	0	148	0	36	100	0	136	0	
AREA EAST										
Wincanton Pedestrian/Cycle Link Common Lane	6	1	0	0	5	0	0	6	0	Legal agreements finalised. Consultation with landowners on revised route has now been done in preparation for planning application. Preparing planning application.
Retail Support Initiative Schemes	5	4	0	0	1	0	0	5	0	Balance available to allocate.
9 Seat Minibuses for Community Transport	12	0	0	0	12	0	0	12	0	Agreed at Area East committee 12/02/20. All funding secured but due to Covid 19 project delayed.
Mudford Memorial Village Hall	4	0	0	3	3	0	0	3	-1	Approved at Area East Committee w/e 16/10/20. Work to commence in spring of 2021. Project completed and paid for £2966. Accountancy informed 20.9.21 that project was underspent and remaining budget to be returned to unallocated funds
Parish Infrastructure Fund	4	0	0	0	4	0	0	4	0	Available for qualifying safety or housing projects. No spend in 2017/18.
Bruton Town Council	4	0	0	0	4	0	0	4	0	Agreed at Area East (informal) Committee w/e 19/5/21
Radio Ninesprings	6	0	0	6	6	0	0	6	0	Agreed at Area East (informal) Committee w/e 19/5/21
Unallocated Budget East	0	0	80	0	71	0	0	71	0	
AREA WEST										
Chard Town Centre Gateway and Seating Area.	52	0	52	0	52	0	0	52	0	Provisional Allocation - may reduce. RIBA 3 design and costings completed, ITT out at the moment for RIBA 4 detailed design and costings. Team to be appointed by August 2020, work during September – December and works to begin in 2021. Likely to be second half of 2021
Ilminster Tennis & Bowling Club	13	0	0	13	13	0	0	13	0	Completed Agreed at Area West Committee w/e 18/09/20. Project completed and paid
Horton Parish Council Playing Field Project	13	0	0	0	13	0	0	13	0	Agreed at Area West Committee w/e 20/11/20. Project ongoing
Ilchester Hall, Chiselborough	13	0	0	0	13	0	0	13	0	Agreed at Area West Committee w/e 20/11/20. Project ongoing
North Perrott Cricket Club	11	0	0	10	11	0	0	11	0	Completed Agreed by Chief Exec w/e 29/01/21 Project completed. Accountancy informed in July that this is under budget and needs to be returned to unallocated funds
Chard Town Council - Market Stalls	6	0	0	6	6	0	0	6	0	Area West Markets Improvement Group (Nov 2010 committee). Awarded to Chard Town Council August 19, paid April 2021.
Hinton St George Pre-School Appeal	13	0	0	7	13	0	0	13	0	Agreed at Area West Committee w/e 19/5/21
Radio Ninesprings	3	0	0	3	3	0	0	3	0	Agreed at Area West Committee w/e 19/5/21
Unallocated Budget West	74	0	94	0	24	50	0	74	0	
Subtotal for Area Committees	670	22	519	89	469	301	0	792	-0	
Total Gross Capital Programme	264,853	150,985	27,210	22,837	42,965	36,482	22,392	252,824	-12,163	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted



2021/22 Treasury Management Mid-Year Performance Report and Strategy Update

Executive Portfolio Holder: Peter Seib, Finance and Legal Services
SLT Lead: Karen Watling, Chief Finance Officer
Lead Officers: Paul Matravers, Lead Specialist – Finance
Cheryl Summers, Specialist Finance

Purpose of the Report

1. To present the Council's 2021/22 mid-year treasury performance report as required by CIPFA's Treasury Management Code.

Recommendation

2. The Audit Committee recommend the updated Treasury Management Strategy Statement and Investment Strategy to Council.

Introduction and Background

3. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services Code of Practice requires the Council to approve an annual Treasury Management Strategy and, report treasury performance mid-year and at the year end.
4. The Council has 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 risk is therefore central to the Treasury Management Strategy.
5. This report provides information on the performance of the Council's Treasury Investments for the first six months of the 2021/22 financial year. The performance of the Council's Commercial Investments, which are part of the Commercial Strategy, are reported separately through 6-monthly update reports therefore that detail is not included in this report. On this basis, it is worth noting that whilst the treasury income and cost implications of commercial investment acquisitions are included within this report, the investment property income is not.
6. CIPFA has defined Treasury Management as "the management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."



7. The Council has delegated responsibility for the oversight and monitoring of its treasury management policies and practices to Audit Committee, and for the execution and administration of treasury management decisions to the S151 Officer who will act in accordance with the organisation's policy statement and Treasury Management Practices (TMPs), and CIPFA's standard of Professional Practice on Treasury Management.
8. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Specific risks are identified in the Council's approved Treasury Management Practices. The risks include:
 - Liquidity Risk (Adequate cash resources)
 - Interest Rate Risk (Fluctuations in the value of investments and borrowing).
 - Inflation Risks (Exposure to inflation)
 - Fraud, Error and Corruption, and Contingency Management (Exposure to loss through fraud, error or other eventualities)
 - Refinancing Risks (Impact of debt maturing in future years).
 - Legal & Regulatory Risk (Compliance with statutory and regulatory requirements).
9. The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
10. When the strategy for 2021/22 was written it took into account the Council's current treasury position and drew upon the forecasts for interest rates provided by the Council's treasury advisors, Arlingclose, leading to the proposed Prudential Indicators included. This has been updated with the most recent forecast as at September 2021.

Revisions to CIPFA Codes

11. In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation.



12. In September CIPFA issued the revised Codes and Guidance Notes in draft form and opened the latest consultation process on their proposed changes.

The changes include:

- Clarification that:
 - local authorities must not borrow to invest primarily for financial return
 - it is not prudent for authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority
- Categorising investments as those:
 - for treasury management purposes
 - service purposes
 - for commercial purposes
- Defining acceptable reasons to borrow money:
 - financing capital expenditure primarily related to delivering a local authority's functions
 - temporary management of cash flow within the context of a balanced budget
 - securing affordability by removing exposure to future interest rate rises
 - refinancing current borrowing, including replacing internal borrowing
- For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).
- Prudential Indicators:
 - New indicator for net income from commercial and service investments to the budgeted net revenue stream.
 - Inclusion of the liability benchmark as a mandatory treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances – existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark – over at least 10 years and ideally cover the authority's full debt maturity profile.
 - Excluding investment income from the definition of financing costs.
- Incorporating ESG issues as a consideration within TMP 1 Risk Management.
- Additional focus on the knowledge and skills of officers and elected members involved in decision making.



13. In addition the Department for Levelling Up, Housing and Communities (DLUHC) published a brief policy paper in July outlining the ways it feels that the current Capital Finance Framework framework is failing and potential changes that could be made.
14. The paper found that “while many authorities are compliant with the framework, there remain some authorities that continue to engage in practices that push the bounds of compliance and expose themselves to excessive risk”. The actions announced include:
 - greater scrutiny of local authorities and particularly those engaged in commercial practices
 - an assessment of governance and training
 - a consideration of statutory caps on borrowing
 - further regulations around Minimum Revenue Provision (MRP)
 - ensuring that the DLUHC regulations enforce guidance from CIPFA and the new PWLB lending arrangements.
15. The consultation period ends on 16 November 2021, the Chief Finance Officer will provide a response to both consultations and an update on the outcome and the implications for the Council will be reported to the committee.

Treasury Management Strategy Statement and Investment Strategy

16. The updated 2021/22 Treasury Management Strategy is attached at Appendix A. There are no amendments to the borrowing strategy, treasury investment strategy, approved counterparties or investment limits.
17. The updated strategy includes a revision to the capital financing requirement figures, with amendments made to reflect the actual capital financing requirement at 31/3/2021 and the revised estimates for the subsequent three years. Please refer to table 1: Balance Sheet Summary and Forecast within Appendix A.
18. The remainder the report provides information on:
 - Treasury Management Position
 - Current Borrowing
 - Treasury Investment Activity
 - Pooled Fund Investments
 - Non Treasury Investments

Treasury Management Position - Summary

19. The treasury management position as at 30 September 2021 and the change during the year is shown in the Table 1.

Table 1: Treasury Management Position – Summary

	31/03/2021 Balance £000's	Net Movement £000's	30/09/2021 Balance £000's
Long-term borrowing	-	-	-
Short-term borrowing	(98,000)	10,000	(88,000)
Total Borrowing	(98,000)	10,000	(88,000)
Long-term Investments	2,000	(1,000)	1,000
Short-term Investments	-	-	-
Cash and Cash Equivalents	23,980	2,340	26,320
Total Investment	25,980	1,340	27,320
Net Position	(72,020)	11,340	(60,680)

External Borrowing

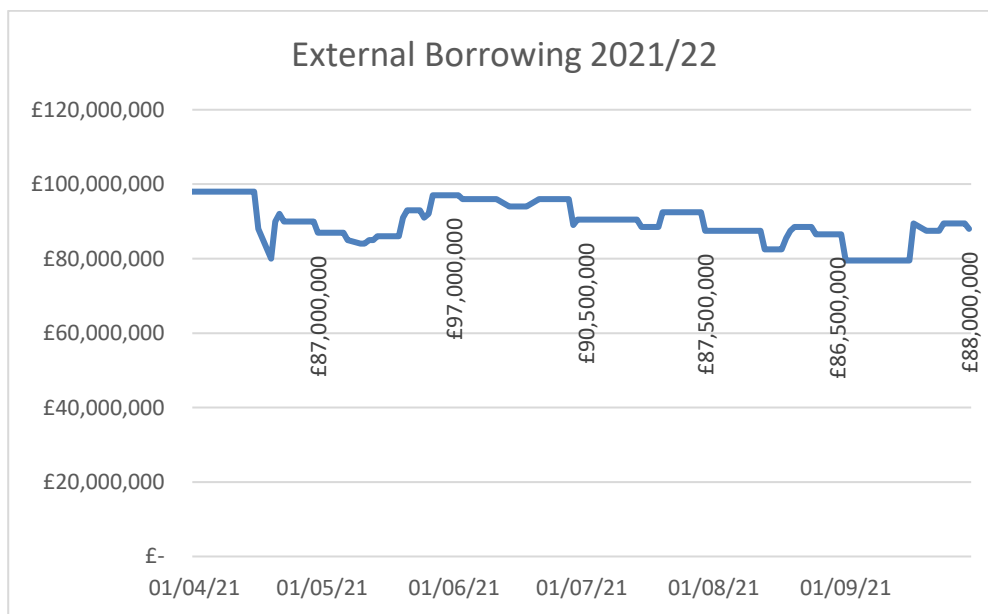
20. External borrowing has decreased during the first six months of the year due to a significant element of the loan portfolio maturing in this period. Improved cash flow has meant that not all of the matured borrowing needed replacing. In addition, during this period there has been no investment property acquisitions as part of the Commercial Strategy (although some acquisitions are anticipated by the end of this financial year). These acquisitions are financed by external borrowing. In line with Arlingclose advice, and as reported in the MTFP Refresh report to District Executive in October 2021, the Council continues to utilise short term borrowing, which is flexible and keeps our borrowing costs low.
21. The projected value of long term borrowing as at 31 March 2022 was reported to Audit Committee in February 2021 in the Annual Treasury Management Strategy report. The external borrowing requirement at the end of the 2021/22 financial year was anticipated to be £159m.
22. The amount of external borrowing is dependent on purchases of commercial property and the projects included in the capital programme progressing as planned, particularly those projects in the Regeneration Programme, and the Council's cash flow position. If project timescales slip and no commercial property purchases are made in the remaining part of the financial year the external borrowing amount will be significantly lower than the figure anticipated in the 2021/22 Annual Treasury Management Strategy.
23. The Council's finance team continually review the council's cash flow position and borrowing options in order to keep the cost of borrowing to a minimum. With



interest rates remaining low it remains advantageous to continue to meet the financing requirement using short term rather than long term borrowing, however this is kept under review to strike the appropriate balance between costs and cost certainty. This strategy is also pursued in order to give the maximum flexibility to the new successor council when it comes into being in April 2023.

24. The graph shows the movement in the external borrowing position for 2021/22. It provides the amount of external borrowing on the first day of each month for the April to September period and the value of borrowing at 30 September 2021 (£88m).

Graph 1: External Borrowing 2021/22



25. Table 2 summarises the external borrowing position as at 30 September 2021. It includes the opening position in respect of external loans, loans repaid, new loans and the average interest rate.

Table 2: External Borrowing Summary

	Amount £'000	Average Interest Rate %
External Loans as at 1 April 2021	98,000	0.86
New Loans	157,500	0.31
Loans Repaid	(167,500)	0.17
Total External Loans as at 30 September 2021	88,000	0.08

26. The £88m of external borrowing as at 30 September 2021 is detailed in Table 3. The table shows that we have prioritised the inter-authority lending market, with the short-term loan interest rates ranging from 0.02% to 0.45%.

Table 3: External borrowing as at 30 September 2021

Lender	Date Borrowed	Maturity Date	No. of Days	Interest Rate %	Amount £
London Borough of Wandsworth	19/03/21	19/01/22	306	0.45	10,000,000
Nottingham City Council	22/04/21	27/01/22	280	0.14	4,000,000
City & County of Swansea	20/04/21	20/10/21	183	0.05	5,000,000
Northern Ireland Housing Executive	19/04/21	14/04/22	360	0.10	4,000,000
Northern Ireland Housing Executive	20/04/21	14/04/22	359	0.10	5,000,000
East Suffolk Council	20/04/21	20/04/22	365	0.14	3,000,000
Vale of Glamorgan Council	21/04/21	21/10/21	183	0.08	3,000,000
Middlesbrough Borough Council	25/08/21	24/05/22	272	0.07	5,000,000
University of Teeside	25/08/21	25/05/22	273	0.08	4,000,000
Greater Manchester Combined Authority	25/08/21	27/01/22	155	0.03	3,000,000
Greater Manchester Combined Authority	25/08/21	23/12/21	120	0.03	5,000,000
West Suffolk Council	18/08/21	10/01/22	145	0.02	1,000,000
Hampshire Police and Crime Commissioner	18/08/21	18/10/21	61	0.02	2,000,000
Hampshire County Council	19/08/21	18/10/21	60	0.02	2,000,000
Greater Manchester Combined Authority	25/08/21	25/11/21	92	0.02	8,000,000
Wigan Metropolitan Borough Council	25/08/21	25/05/22	273	0.07	5,000,000
Middlesbrough Borough Council	17/09/21	07/04/22	202	0.04	10,000,000
South Lanarkshire Council	20/09/21	20/05/22	242	0.05	2,000,000
South Lanarkshire Council	24/09/21	24/05/22	242	0.05	2,000,000
Tending District Council	29/09/21	11/04/22	194	0.04	5,000,000
				Total	88,000,000

27. The above information shows that the current strategy of utilising short-term inter-authority lending for the Council's treasury borrowing requirement means interest rates and costs are relatively low.

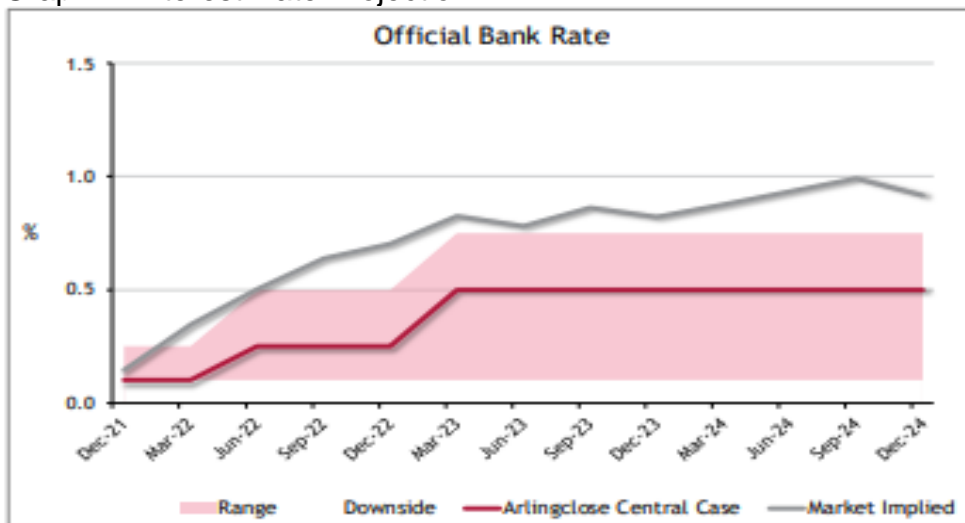


28. The tables demonstrate that rates have significantly reduced in the April to September period and short term borrowing for a 6 month period can now be sourced in the region of 0.01% - 0.05%. Borrowing for short periods takes advantage of the low rates on offer, and accepts an element of interest rate risk at the point of re-financing.

Interest Rates and Inflation

29. The October 2021 economic and interest forecast data provided by the Council's treasury advisors anticipates that inflation is likely to rise to over 4% in the near term (3.2% in August), the continuing increase in inflation has meant that the expectations around a rise in interest rates has also increased.
30. The graph below details the Arlingclose interest rate projection for the period to December 2024.

Graph 2: Interest Rate Projection



31. Arlingclose expects the Bank Rate to rise in Quarter 2 of 2022, with a further rise in March 2023 and rates remaining at 0.50% for the period to December 2024. This assumption is driven as much by the Bank's desire to move from emergency levels as by fears of inflationary pressure.
32. Investors have priced in multiple rises in Bank Rate to 1% by 2024. While there is a belief that the Bank Rate will rise, the Arlingclose assumption is that the rate rise will be to a lesser extent than expected by markets.



Borrowing Options and alternative funding streams

33. Given changes to PWLB lending terms and intended changes to CIPFA's Prudential Code, Arlingclose, the Council's Treasury Management adviser, was asked earlier this year by the Chief Finance Officer to review the Council's potential borrowing options given that SSDC is, at least for this financial year, actively seeking to undertake further "investment purely for yield" commercial activity and the changes mentioned above would restrict this activity.
34. Arlingclose analysed a range of potential borrowing options including the use of: PWLB (Public Works Loans Board), local authority to local authority short term lending, borrowing from Financial Institutions (e.g. Pension Funds, banks), a Bonds issue (either separately or using the Municipal Bonds Agency), Forward Starting Loans, Interest Rates swaps, and income strip deals (wrapper leases).
35. The Chief Finance Officer will be proposing to February 2022 Council (in the Treasury Management Strategy) that we keep to our current approach to borrowing namely: to (a) only borrow externally when cash flow requires this and to (b) only borrow short term from other councils. Obviously we will continue to review this approach with Arlingclose in light of any changes in market/economic conditions but the intention is that for the next two financial years SSDC will not enter into any long term borrowing arrangements.
36. The rationale for proposing this approach can be given as follows:
 - Short term borrowing from other councils is currently by far the cheapest option and is readily available and quick to administer.
 - Whilst there is a risk to SSDC if interest rates rise, this is assessed as a low risk by Arlingclose and other economic forecasters.
 - Other options, e.g. bond issues, interest rate swaps, will take officer time and cost to implement.
 - Income strip deals (wrapper leases) are intrinsically risky.
 - HM Treasury have recently clarified their new PWLB lending terms and have confirmed that PWLB lending is available to finance existing debt arising from past "investment purely for yield" commercial activity and to finance the council's capital programme the year after it ceases such commercial activity, if the Council so wishes.
 - The Chief Finance Officer advises that it would be wrong to fetter the future flexibility of the successor unitary authority in this matter if there is no immediate need for SSDC to enter into long term borrowing arrangements.

Treasury Investment Activity

37. The Council holds significant invested funds, representing income received in advance of expenditure plus cash balances and reserves held. In the first six months of the financial year, the Council's investment balance has ranged between £24.5 million and £29.5 million.

Table 4: Breakdown of Investments as at 30 September 2021

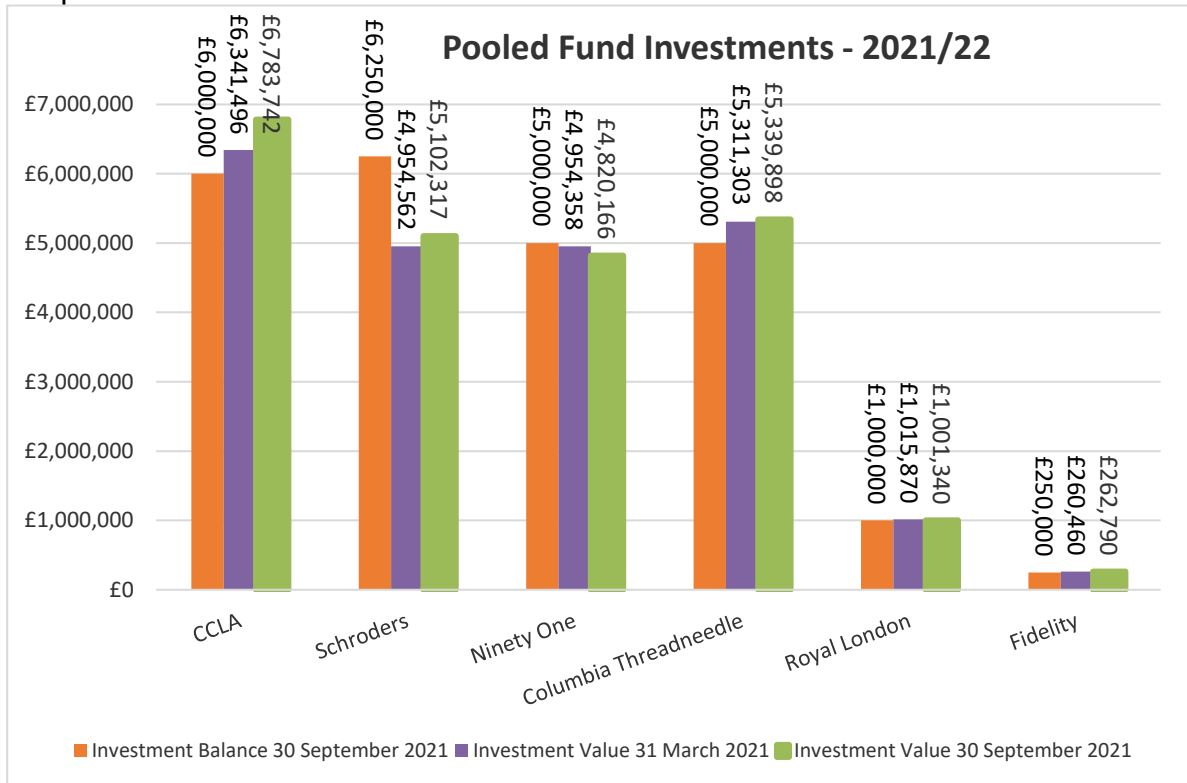
	Date Invested	Maturity Date	Interest Rate %	Nominal Amount £
Corporate Bonds				
National Australia Bank *Covered*	10/11/16	10/11/21	1.10	1,000,000
Business Reserve Accounts				
Santander Business Reserve	Various	Not fixed	0.04	2,820,000
Property & Pooled Funds				
Schroders Income Maximiser (UK Equity)	Various	Not fixed	5.97	6,250,000
CCLA Property Fund	Various	Not fixed	4.91	6,000,000
Fidelity Global enhanced income (Global Equity)	Various	Not fixed	4.74	250,000
Ninety One Diversified Income	Various	Not fixed	4.15	5,000,000
Columbia Threadneedle Strategic Bond	Various	Not fixed	2.25	5,000,000
Royal London Enhanced Cash Plus Fund	Various	Not fixed	0.75	1,000,000
			Total	27,320,000

38. The Council has maintained its strategic fund investments at £23.5m and it is estimated that the level of strategic investments as at 31 March 2022 will remain in the region of £23.5m. The long term strategy is to invest up to £30m in strategic investments if cashflow permits.

Pooled Fund Investment - Values

39. The Council's pooled fund investments are held in externally managed funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. This fits with the objectives of the Council's overall Financial Strategy.
40. The Council has investments in bond, equity, multi-asset and property funds. The improved market sentiment in the past 6 months is reflected in equity, property and multi-asset fund valuations and, in turn, in the overall increase in capital values of the Council's pooled fund investments.
41. 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 medium to long term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.
42. The investment balance as at 30 September 2021 and the value of each investment as at 1 April and 30 September are detailed in the chart below.

Graph 3: Pooled Fund Investments 2021/22



Note: Pooled fund investments are revalued to reflect the fair value of the investment, the second and third bars in the graph signifies this value at 1 April and 30 September. The first bar represents the nominal investment balance in each fund at 30 September.

43. Table 5 below includes the opening and closing investment balances for each pooled fund investment. The investment fair value signifies the individual value of the investments after the year-end and mid-year valuation. The table shows that the 'fair value' of the portfolio has increased by £472k, which is an increase of 2.07% between 1 April and 30 September, reflecting volatility in market value. The strategy works on the basis that investment values will go up and down but annual income return remains positive, and the Council would not plan to redeem the investment when its value is below the nominal balance unless this would be a prudent course of action.



Table 5: Pooled Fund Investments as at 30 September 2021

Investment	Investment Balance 30/09/2021 £	Investment Value 01/04/2021 £	Investment Fair Value 30/09/2021 £
CCLA	6,000,000	6,341,496	6,783,742
Schroders	6,250,000	4,954,562	5,102,317
Ninety One	5,000,000	4,954,358	4,820,166
Columbia Threadneedle	5,000,000	5,311,303	5,339,898
Royal London	1,000,000	1,015,870	1,001,340
Fidelity	250,000	260,460	262,790
Total	23,500,000	22,838,049	23,310,253

Pooled Fund Investment – Income Return

44. The income generated from pooled fund investments for the first six months of 2021/22 and the rate of return is detailed in the following Graph 4 and Table 6. This demonstrates that the investment in the Schroder Income Maximiser, Ninety One and CCLA Funds have performed well in terms of income and rate of return on investment.
45. Overall, the return on pooled funds has positively averaged 3% during the first six months of the financial year.

Graph 4: Interest Received and Rate of Return 1 April to 30 September

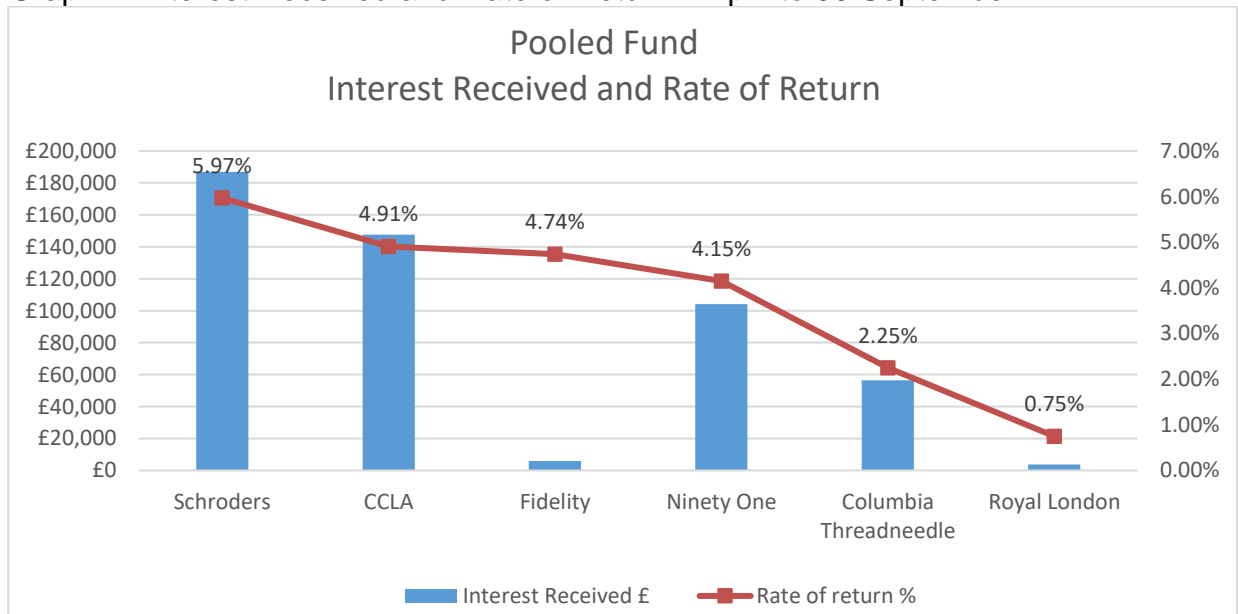




Table 6: Pooled Fund Investment Interest at 30 September 2021

Fund	Interest Received £	Rate of return %
Schroders	186,974	5.97
CCLA	147,630	4.91
Fidelity	5,943	4.74
Ninety One	104,057	4.15
Columbia Threadneedle	56,400	2.25
Royal London	3,756	0.75
Total	504,760	

Non-Treasury Investments

46. The definition of investments in CIPFA’s revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG’s Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
47. In addition to its treasury investments, the Council also holds £36.23m in other investments in the form of loans to third parties. The loans values are detailed below:
- Loan to Community Organisation - £0.14m
 - Loan to Trading Company - £0.08m
 - Loan to Local Authority Partnership - £4.36m
 - Loan for Commercial Activities - £31.55m
48. The detail of the Council’s total investment in commercial investment property is reported separately. As part of its Commercial Strategy, investment in property has increased significantly in the past three years. The value of investment properties held on the balance sheet as at 31 March 2021 (including some properties held for a substantial period of time) was £79.8m. This has increased by £2.6m during this year, to £82.4m as at 30 September 2021 (not including the loan shown in the previous paragraph).

Financial Implications

49. There are no additional financial implications in reviewing the attached treasury management strategy.

Background Papers

- Treasury Management Strategy 2021/22 (Full Council February 2021)

Treasury Management Strategy 2021/22

(Updated October 2021)

Introduction

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.

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.

Investments held for service purposes and for commercial income generation are considered in the Investment Strategy above.

External Context

The treasury strategy appropriately considers the wider economic picture. The Council's treasury advisor – Arlingclose – has provided a summary commentary on this wider context in Appendix B.

The Council's balance sheet summary and forecast for the current and future financial years is included in Table 1

Table 1: Balance Sheet Summary and Forecast

	1/4/2020 Actual £000's	31/3/2021 Actual £000's	31/3/2022 Revised Estimate £000's	31/3/2023 Revised Estimate £000's	31/3/2024 Revised Estimate £000's
Capital Financing Requirement	95,582	130,777	163,258	174,707	180,507
Less: External Borrowing	(79,500)	(98,000)	(132,276)	(146,724)	(155,524)
Less: Other debt liabilities (leases)	(51)	(20)	(20)	(20)	(20)
Internal Borrowing	(16,031)	(32,757)	(30,962)	(28,413)	(25,063)
Less: Usable reserves	48,550	69,447	57,743	57,743	57,743
Less: Working capital surplus/ deficit (-)	2,800	2,800	2,800	2,800	2,800
Treasury Investments / New Borrowing (-)	35,319	39,490	29,581	32,130	35,480

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.

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 £156m over the forecast period.

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. Table 1 shows that the Council expects to comply with this recommendation over the medium term.

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. This assumes the same forecasts as the table above, but 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 2: Liability benchmark

	1/4/2020 Actual £000's	31/3/2021 Actual £000's	31/3/2022 Revised Estimate £000's	31/3/2023 Revised Estimate £000's	31/3/2024 Revised Estimate £000's
Total CFR	95,582	130,777	163,258	174,707	180,507
Less: Usable reserves	(48,550)	(69,447)	(57,743)	(57,743)	(57,743)
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
Liability benchmark	14,232	28,530	72,715	84,164	89,964

Borrowing Strategy

The Council currently holds £88.00m of loans (as at 30 September 2021), compared to £79.50m on 1 April 2020, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council expects to borrow up to £133m in 2021/22. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £205m.

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.

Given the significant cuts to public expenditure and in particular local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. 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 foregone investment income) and reduce overall treasury risk. 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 modestly. 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 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

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).

Additionally, the Council may borrow further short term loans to cover unplanned cash flow shortages.

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

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

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lend the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons:

- borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason
- there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

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

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £26m and £46m, and similar levels are expected to be maintained in the forthcoming year.

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.

The COVID-19 pandemic has increased the risk that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to continue to diversify into more secure and/or higher yielding asset classes during 2021/22. The Council has maintained its strategic fund investments at £23.5m and it is estimated that the level of strategic investments as at 31 March 2022 will remain at this level. The COVID-19 pandemic has resulted in uncertainty in cashflow and therefore the increase in strategic investments to the level planned (£27.50m) has not been possible. This diversification will represent a continuation of the strategy adopted in earlier years.

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.

A proportion of the Council's surplus cash is currently invested in short-term unsecured bank deposits, money market funds and other local authorities.

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.

Approved Counterparties

The Council may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: 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 5 years	£6 m 10 years	£6 m 25 years	£3 m 10 years	£3 m 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
Money market funds, Strategic pooled funds and real estate investment trusts		£10m (nominal value) per fund or trust			

This table must be read in conjunction with the notes below

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.

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.

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.

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.

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.

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.

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.

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.

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.

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

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.

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.

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.

Investment Limits

The Council's revenue reserves available to cover investment losses are forecast to be £4m 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 4: 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

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.

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.

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	Actual
Portfolio average credit rating	5.0	

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	Actual 30/09/21
Total cash available within 3 months	£10m	£21.3m

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	Actual 30/09/21
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	Actual 30/09/21	Upper limit	Lower limit
Under 12 months	100%	100%	100%
12 months and within 24 months	0%	100%	100%
24 months and within 5 years	0%	100%	100%
5 years and within 10 years	0%	100%	100%
10 years and above	0%	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	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£30m	£25m	£25m

Related Matters

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).

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.

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.

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.

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

The budget for investment income and debt interest in 2021/22 is summarised as follows:

Table 5: Interest Income and Costs Budget Estimates

	2021/22 Investment Income £k	2021/22 Average Interest Rate %	2021/22 Interest Costs £k	2021/22 Average Interest Rate %	2021/22 Net Income or Costs £k
Total	-1,946	2.10%	1,436	1.00%	-510

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

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.

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 B – Additional commentary from Arlingclose

External Context

Economic background: Economic resurgence from coronavirus pandemic continued to dominate the first quarter of the financial year. In the biggest inoculation programme the country has ever undertaken, over 44 million people in the UK had received their first dose of a COVID-19 vaccine with 32 million also having a second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its June 2021 policy announcement, the BoE expected the economy to experience a temporary period of strong GDP growth and above-target CPI inflation, after which growth and inflation is expected to fall back. There were, however, two-sided risks around this central path, and it is possible that near-term upward pressure on prices could prove somewhat larger than expected. The Bank's Monetary Policy Committee does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.

Government initiatives continued to support the economy over the quarter, following the range of measures announced by the Chancellor in the 2021 Budget, which included extending the furlough (Coronavirus Job Retention) scheme until September 2021.

The latest labour market data showed that in the three months to April 2021 the unemployment rate fell to 4.7%, although it is likely that labour market slack has remained higher than implied by this measure. Some individuals stopped looking for work during the pandemic and were therefore recorded as inactive. There is uncertainty around how many of these individuals will resume their search for a job, and when. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 5.6% for the three months February to April 2021. The seemingly high growth partly reflected a base effect from a decline in average pay in the spring of last year, associated with the reduced pay of employees on the furlough scheme.

Annual CPI inflation rose to 2.1% in May on the back of base effects in spring 2020 and partly due to higher energy and commodity prices and supply-side bottlenecks. The BoE expects inflation to exceed 3% for a temporary period. The ONS' preferred measure of CPIH which includes owner-occupied housing was also 2.1% year/year, marginally higher than expectations.

The reimposition of restrictions on activity in the first quarter of calendar 2021 year resulted in GDP falling 1.6% in Q1. GDP growth was strong in April at 2.3% with the partial easing of restrictions on non-essential retail and outdoor hospitality. Housing market activity remained strong, aided by the extension of the stamp duty threshold and an increase in mortgage approvals for house purchases.

The US economy rebounded by 4.3% in Q4 2020 (Oct-Dec) and then an even stronger 6.4% in Q1 as the recovery continued to be fuelled by \$5 trillion worth of pandemic



South Somerset District Council

stimulus packages. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

Financial markets: Ongoing monetary and fiscal stimulus together with improving economic growth prospects and successful vaccine rollout programmes continued to boost equity markets over the period. The Dow Jones reached a record high during the period while the UK-focused FTSE 250 index was back above pre-pandemic levels and the more internationally focused FTSE 100 had recouped around three-quarters of 2020 losses.

Inflation worries continued during the period but declines in bond yields between April and June suggest bond markets may be expecting any general price increases to be less severe, or more transitory, that was previously thought.

The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.32% by the end of June 2021. Over the same period the 10-year gilt yield fell from 0.80% to 0.71%, despite jumping to 0.90% in May. The 20-year yield declined from 1.31% to 1.21%.

The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter.

Credit review: Credit default swap spreads were relatively flat over the period and remain only slightly above their pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, and Santander UK remained an outlier compared to the other ringfenced/retail banks. At the end of June, Santander UK was trading the highest at 52bps and Standard Chartered the lowest at 31bps. The other ringfenced banks were trading between 32 and 34bps while Nationwide Building Society was 38bps.

There were only a small number of credit rating actions over the period. Fitch revised a number of Singaporean and Australian banks as well as Close Brothers to stable, and also upgraded Coventry Building Society to 'A' (from 'A-'). Towards the end of the period Fitch revised the United Kingdom's outlook to stable from negative.

S&P also revised some Australian banks to stable, as well as Transport for London, which a week or so later received a £1.08 billion bailout from the UK government. S&P also downgraded the long- and short-term ratings of DZ Bank (Germany) to A+ and A-1 from AA- and A-1+ respectively. In late June S&P took further rating actions, upwardly revising the outlooks for a number of UK and European banks from negative to stable, or in the case of Barclays and Nationwide from stable to positive.

The successful vaccine rollout programme is credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Proposal to opt into the National Scheme for External Auditor Appointments

Portfolio Holder: Peter Seib, Finance and Legal Services
SLT Lead/Lead Officer: Karen Watling, Chief Finance Officer
Contact Details: Karen.Watling@southsomerset.gov.uk

Purpose of the Report

1. This report sets out proposals for appointing the external auditor to the Council for the five-year period 2023/24 to 2027/28 inclusive.
2. The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 Statement of Accounts. The Council decided to opt into the national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period 2018/19 to 2022/23.
3. PSAA is now undertaking a procurement for the next appointing period (2023/24 to 2027/28). All local government bodies have therefore been asked to make decisions about their external audit arrangements from 2023/24. Councils can arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join the national collective scheme administered by PSAA.
4. This report concludes that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:
 - Collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements.
 - If it does not use the national appointment arrangements, the Council (and its successor) will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract.
 - It is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement.
 - Supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.
5. If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the



South Somerset District Council

Council needs to return completed opt-in documents to PSAA by 11 March 2022.

6. The appointment of external auditors will obviously take effect in the first year of the new unitary council. PSAA has suggested that the current eligible bodies, including SSDC, confirm their acceptance to opt in (or otherwise) to avoid the requirement to have to make local arrangements if for any reason there is uncertainty that the reorganisation will take place or meet the current timetable.
7. All of the S151 Officers for the five authorities in Somerset have been able to agree to make the recommendation that each Council opts in as the most beneficial option available to the current and future council.

Public Interest

8. Local public services account for a significant amount of public spending. In 2019-20, local authorities, local police and local fire bodies spent nearly £100 billion delivering their services, which many local taxpayers rely on every day. South Somerset District Council (SSDC) alone spent £142 million in 2020/21 (£100,128,500 revenue expenditure and £42,177,000 on capital expenditure).
9. Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies must prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.
10. Taxpayers, national bodies and other stakeholders reasonably expect that the auditor will normally be able to assure that the financial statements have been properly prepared, are free from material error, and that the body has proper arrangements in place to secure value for money.
11. Where the auditor is satisfied that the financial statements present a true and fair view, they issue an unqualified opinion. Where they are not satisfied, or where they have other matters to which they wish to draw attention, they give a qualified or 'non-standard' report. Where the auditor considers that a particular matter is sufficiently serious to draw to public attention more widely, including informing the relevant Secretary of State, they may choose to make a statutory recommendation requiring a public response or issue a Public Interest Report (PIR).
12. Local authorities have faced significant challenges since 2010-11 as funding has reduced and demand for key services has grown. Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex as activities become more varied, complicated and commercial in many councils, including SSDC. External audit is one of the checks and balances in the system and plays a key role. Any proposed changes to the existing arrangements for external audit are therefore important to understand in terms of governance and the stewardship of public funds.

Recommendations

13. That Audit Committee recommends that Council:
 - a) Accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors for the five financial years from 1 April 2023.
 - b) Delegate authority to the Chief Finance Officer (S151 Officer) to sign the Notice of Acceptance of the invitation to opt in.
 - c) Note that newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations Act 2015, which will enable the new unitary council to consider opting in to PSAA's scheme or make alternative arrangements when legally constituted.

Background to the proposal

Procurement of External Audit for the period 2023/24 to 2027/28

14. Under the Local Government Audit & Accountability Act 2014 ("the Act"), the council is required to appoint an auditor to audit its accounts for each financial year. The council has three options:
 - To appoint its own auditor, which requires it to follow the procedure set out in the Act.
 - To act jointly with other authorities to procure an auditor following the procedures in the Act.
 - To opt-in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).
15. To opt-in to the national scheme, a council must make a decision at a meeting of the Full Council.

The Appointed Auditor

16. The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
17. The auditor must act independently of the council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
18. The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) and employ authorised Key Audit Partners to oversee the work. As the paragraphs below set out, and as also reported to October Audit Committee in the Redmond Review briefing report, there is currently a national shortage of registered firms and Key Audit Partners.



South Somerset District Council

19. Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.
20. Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

Appointment by the council/Authority itself or jointly

21. The Council may elect to appoint its own external auditor under the Act, which would require the council to:
 - Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
 - Manage the contract for its duration, overseen by the Auditor Panel.
22. Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

The national auditor appointment scheme

23. PSAA is specified as the 'appointing person' for principal local government audits under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.
24. In summary the national opt-in scheme provides the following:
 - The appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023.
 - Appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints.
 - Managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy.



- Ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period.
- Minimising the scheme management costs and returning any surpluses to scheme members.
- Consulting with authorities on auditor appointments, giving the Council/Authority the opportunity to influence which auditor is appointed.
- Consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk.
- Ongoing contract and performance management of the contracts once these have been let.

Pressures in the current local audit market and delays in issuing opinions

25. Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.
26. However since then there have been a number of issues surrounding the audit of local government that gave rise to the following comment in a report from the House of Commons Public Accounts Committee (PAC) published on the 14th July 2021 which says “...without urgent action from government, the audit system for local authorities in England and Wales may soon reach breaking point.”
<https://publications.parliament.uk/pa/cm5802/cmselect/cmpublicacc/171/17104.htm>
27. The issues giving rise to this comment were described in the “Briefing on the Redmond Review” report which went to Audit Committee for information in October 2021. A recap of the key issues are:
 - Late delivery of audit opinions: less than half of local bodies’ 2019-20 audits were completed by the extended deadline of 30 November 2020.
 - Serious shortfalls in the number of specialists which audit firms rely on to carry out audits of local authorities.
 - Complex technical issues have been a significant factor in delaying the audit. This includes auditing local bodies’ investments in commercial property and in 3rd party enterprises and subsidiaries requiring group accounts.
 - The requirements of International Financial Reporting Standards (IFRS), along with the increased expectations from the Financial Reporting Council (FRC) following the high-profile corporate failures such as Carillion, have combined to produce a significant increase in audit work, such as on asset and pensions valuations.
 - Only nine audit firms have the specialist knowledge and accreditation needed to audit local authorities. Currently, the market is dominated by just two firms, (EY and Grant Thornton) which carry out around 70% of local authority audits.



South Somerset District Council

- The Public Accounts Committee (July 2021) also notes that councils have become increasingly unattractive as clients and that audit fees in real terms have dropped significantly in recent years and now no longer reflect the work involved.
28. On 10 July 2019 the then Secretary of State for Housing, Communities and Local Government, James Brokenshire, announced a review into local audit. This was chaired by Sir Tony Redmond, a former Local Government Ombudsman and former president of the Chartered Institute of Public Finance and Accountancy (CIPFA).
29. The review made several recommendations and government has accepted several of these recommendations and rejected/changed others. The key points to note for this report are that:
- A new organisation will be the “system leader” for local audit. This organisation will be known as the Audit, Governance and Reporting Authority (ARGA) and its creation will require primary legislation to replace the Financial Reporting Council.
 - PSAA will continue as the ‘appointing person’ for principal local government audits under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015.

Assessment of the proposal and next steps

The invitation

30. PSAA is now inviting the Council to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins, it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council’s auditor.

How PSAA would undertake the next audit procurement

31. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:
- Seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies.
 - Continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme).
 - Continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned.
32. PSAA will seek to encourage market sustainability in its procurement. Firms will

be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.

33. The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by CIPFA) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.
34. There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

Assessment of options and officer recommendation

35. If the Council did not opt in there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
36. Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
37. These would be more resource-intensive processes to implement for the Council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The Council is unable to influence the scope of the audit and the regulatory regime inhibits the Council's ability to affect quality.
38. The Council and its auditor panel would need to maintain ongoing oversight of



South Somerset District Council

the contract. Local contract management cannot, however, influence the scope or delivery of an audit.

39. The national offer provides the appointment of an independent auditor with limited administrative cost to the Council. By joining the scheme, the Council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.
40. The recommended approach is therefore to opt-in to the national auditor appointment scheme.

The way forward

41. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council (meeting as a whole), except where the authority is a corporation sole.
42. The Council then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).
43. PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

Local Government Reorganisation in Somerset

44. PSAA is aware that reorganisations in the local government areas of Cumbria, Somerset and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in either May 2022 or May 2023 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.
45. If for any reason there is uncertainty that reorganisations will take place or meet the current timetable, PSAA has suggested that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.
46. All of the S151 Officers for the five authorities in Somerset have been able to agree to make the recommendation that each Council opts in as the most beneficial option available to the current and future council.

Financial Implications

47. It is expected that current external audit fee levels will increase when the current contracts end. It is clear that the scope of local audit has increased since the current contract was awarded and that this requires more audit work. There is also a recognition that audit fees will need to increase in order to stabilise or increase capacity and sustainability in the local audit market.



48. Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.
49. If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

Background Papers

“Briefing on the Redmond Review” Audit Committee, 28th October 2021



Review of Remote Meetings after 8 January 2022

Executive Portfolio Holder: Val Keitch, Leader of Council
Strategic Director: Jane Portman, Chief Executive
Lead Officer: Jill Byron, Monitoring Officer
Contact Details: Jill.Byron@southsomerset.gov.uk

Purpose of the Report

1. To seek members instructions on whether or not to continue to hold SSDC meetings remotely with the appropriate use of delegated powers. This decision was originally made on 15 April 2021 and was reviewed by Council on 8 July 2021 when it was agreed to extend the use of delegated powers for a further 6 months to 8 January 2022.

Public Interest

2. Part 3 of the Council's Constitution sets out who within the Council has the power to do what, sets out any associated limitations and, in particular, sets out which decisions can be taken by members and which can be taken by officers.
3. The District Executive and Full Council have previously agreed to allocate certain executive and non-executive matters to others, and it is important that these changes are made clear on the face of the Constitution.
4. This report is seeking Council instructions on the continuation of remote consultative meetings and associated delegation to ensure that (i) the Council's decision-making processes continue to operate in accordance with the law and in line with safe practice under the Covid-19 guidance and requirements issued by the Government from time to time while remaining transparent and (ii) the Constitution is kept up-to-date.

Recommendation

5. That the delegation of decision making given on 8 July 2021 be extended for a further period of six months to 8 July 2022 for all meetings apart from Council itself, which will now be in person with appropriate social distancing measures and with provision for remote attendance by vulnerable members and additional appropriate provision for in person or remote attendance by members of the public and officers.

Background

6. On 15 April 2021, in view of the imminent lapse of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, Council decided to:
 - (a) continue to enable members to hold remote, virtual meetings using available technology; and
 - (b) 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.
7. The delegated authority given on 15 April was reviewed by Council at their meeting on 8 July 2021 and it was agreed to extend the delegated authority for a further 6 months (minute 26 refers).

Report

8. On 25 March 2021 Luke Hall, the Minister of State for Regional Growth and Local Government, wrote to all local authorities to announce that the MHCLG (Ministry for Housing, Communities and Local Government) was opening a call for evidence on the experience of local authorities and remote meetings to inform a decision about whether or not to promote primary legislation to allow remote and/or hybrid meetings in the future. This call for evidence closed on 17 June 2021. The Government has made it clear that it is in favour of local authorities having the power to hold remote meetings, but as existing legislation does not already enable local authorities to hold meetings remotely, new legislation will be required.
9. Although new legislation is required, it is still open to local authorities to continue to hold remote meetings but treat them as consultative bodies with decisions delegated to the Chief Executive in consultation with those members to whom the decision would otherwise have been delegated under Part 3 of the Constitution. It should be noted that in-person meetings of Council will be required for any decision reserved for Council under Part 3 Section 1 of the Constitution.
10. Council's previous decisions were taken on the basis that although it would be physically possible to hold meetings of members in person from 7 May in compliance with social distancing rules and the Covid-19 safe use guidance, there were many reasons to suggest that it would be sensible to continue to meet remotely for the time being. Consideration of space constraints and social



South Somerset District Council

distancing requirements suggests that members of the public and officers would still need to attend meetings remotely and, as Council meetings since July have shown, this type of hybrid arrangement can be technologically challenging. Any members who were previously shielding (for themselves or for family members) would need to attend in person to be able to vote. There is also the not insignificant risk that if a member or officer were to attend and subsequently test positive, all meetings would have to stop during the self-isolation period.

11. Since the decision in July, all meetings other than Council itself, have continued to be held remotely with delegation. Council itself has had to meet in person as each meeting has involved decisions that Council cannot delegate.
12. Since July, the majority of the population has now been vaccinated, but new variants of Covid continue to emerge and there is some uncertainty about how long protection is effective without booster jabs, which are now being rolled out. In the circumstances, it would seem prudent for meetings other than Council itself to remain remote for a further six months. In terms of full Council meetings, given the experience since July in terms of matters that need to be considered by Council and cannot be delegated and in anticipation that this will continue to be the case, particularly in the light of local government reorganization in Somerset, it would be sensible for Council meetings to be in person going forwards with appropriate distancing safeguards (for example at a larger venue such as Westlands) and provision for remote attendance by members who need to safeguard.

Financial Implications

13. There have been budget savings in travel allowances to attend meetings. The amount varies from month to month but is in the region of £1,000 to £1,400 per month.

Legal Implications

14. These are set out and/or referred to in the body of the report.

Council Plan Implications

15. To ensure a modern, efficient and effective council that delivers for its communities, we will:
 - Deliver a high quality, effective and timely service to our customers and communities

Carbon Emissions and Climate Change Implications

16. The use of Zoom and Teams software to hold virtual meetings has reduced the need to travel to attend Council meetings and therefore resulted in reduced carbon emissions from vehicles across the district.



Equality and Diversity Implications

17. There are no specific equality or diversity implications arising from the subject matter of this report.

Background Papers

Council Constitution - Part 3

Agenda and minutes of Council meetings – 19 March 2020, August 2020, 15 April 2021, 08 July 2021.

Letter from Luke Hall MP, Minister of State for Regional Growth and Local Government -

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/973494/Letter_to_council_leaders_-_remote_meetings.pdf?fbclid=IwAR3Ik0_9RDUFkiNHQIzARGaU2L3AYy3xvXPjqQd_oNCcNEc0P5_NIjljMT0

Updated Guidance on the Safe Use of Council Buildings -

<https://www.gov.uk/government/publications/covid-19-guidance-for-the-safe-use-of-council-buildings/covid-19-guidance-for-the-safe-use-of-council-buildings>

Draft Proposals of the Community Governance Review of Yeovilton Parish Council and Limington Parish Meeting

Executive Portfolio Holder:	Peter Seib, Finance and Legal Services
Ward Member(s)	Tony Capozzoli, Charlie Hull, Paul Rowsell
Strategic Director:	Nicola Hix, Strategy and Support Services
Service Manager:	Jess Power, Lead Specialist, Strategic Planning
Lead Officer:	Angela Cox, Democratic Services Specialist
Contact Details:	Angela.cox@southsomerset.gov.uk or 01935 462148

Purpose of the Report

1. To report the outcome of the initial public consultation (Community Governance Review) which has taken place in the parishes of Yeovilton and Limington on the proposal to join the two parishes together (under the provisions of Part 4 of the Local Government and Public Involvement in Health Act 2007).

Public Interest

2. A Community Governance Review is a review of the whole or part of a district to consider one or more of the following:
 - creating, merging, altering or abolishing parishes;
 - the naming of parishes and the style (i.e. whether to call it a town council or village council etc) of new parishes;
 - the electoral arrangements for parishes – the ordinary year of election, the size of the council, the number of councillors to be elected and parish warding;
 - grouping parishes under a common parish council, or de-grouping parishes.
3. The Local Government and Public Involvement in Health Act, 2007, sets down the principal legal framework within which councils must undertake these reviews.

Recommendations

4. That Council:-
 - a. note the results of the consultation;
 - b. note that the majority of responses received were in favour of the original proposals by Yeovilton Parish Council and Limington Parish Meeting and therefore the draft recommendation for further consultation be: “To accept the vote from the people of Yeovilton and Limington and to form a single parish council to be named “Yeovilton and District Parish Council”.
 - c. agree to publish the results of the consultation;
 - d. note that a further period of consultation on the results of the initial consultation responses will take place;



South Somerset District Council

- e. note that a further report will be brought to Council in February 2022 in order that a decision may be made in respect of the final recommendations of the Review.

Background

5. A valid request was received from Yeovilton Parish Council and Limington Parish Meeting in February 2019, requesting that the District Council conduct a consultation (Community Governance Review) of all the electors and local interested groups to ask if they would be agreeable to form a single Parish Council. Initial consultation within the parishes has now taken place and this report details the outcome of that consultation.
6. Following receipt of the requests from both Parishes, the Local Government Boundary Commission were contacted to obtain permission to accept the requests as the District Council had undergone a Ward boundary review in 2017/18 and were unsure if we could effect any further changes for 5 years. However, the Local Government Boundary Commission confirmed that the review could go ahead. It was subsequently delayed during 2020 by the Covid 19 restrictions. However, we hope to conclude the review in February 2022 and implement any proposed changes in March 2022 if the Parish Council elections are brought forward to May 2022.

Report Detail

7. In their request, the parishes stated a number of reasons for wishing the two parishes to be grouped including:
 - Yeovilton Parish Council already encompasses the communities of Yeovilton, Podimore, Bridghampton and Speckington, and would welcome Limington as part of a bigger parish.
 - Yeovilton Parish Council recently increased the number of parish councillors from 5 to 7, and feel there would be no need to increase the number further as representation from Limington would be welcomed.
 - Limington residents would benefit from representation by regular parish council meetings and a Parish Clerk.
 - Joining the parishes will mean a wider Council Tax base which could reduce slightly the overall Council Tax per household in Yeovilton Parish, whilst not increasing by as large a margin in Limington Parish.
 - If the merger is agreed, it is proposed to amend the name of the new Parish Council to Yeovilton and District Parish Council. This will encompass all the villages in the new parish.

Consultation

8. The initial consultation period was held from 27 September to 05 November. Consultation leaflets were delivered to all registered electors within the two Parishes (a total of 650 people) together with Ward Members, Member of Parliament, Somerset Association of Local Councils and Somerset County Council. Public comments were also invited by e-mail.



South Somerset District Council

9. A total of 107 responses were received (16.5% of the total electorate). Of the 107 responses, 89 were in favour of the proposal and 18 were against it.
10. Part of the consultation leaflet asked for any comments on the proposals and a broad range of responses were received. They varied from:-
 - As this request has come from both parishes I am happy to support it
 - Is it possible to have a balance of representation from the villages?
 - Limington and Yeovilton share a similar demographic and experience similar problems especially with flooding.
 - Should have been done a long time ago
 - All makes for smoother decision making
 - I prefer the parish council to remain as it is. The larger unit makes for more bureaucracy and time delays
 - I think it will make it too big for one parish.
11. Having taken into account all consultation responses made during this first stage of consultation, and having regard to the need to ensure that Community Governance within the area reflects the identities and interests of the community, and is effective and convenient, the draft recommendation of officers is: "To accept the vote from the people of Yeovilton and Limington and to propose that the two parishes should be grouped to form a single parish council".

Community Governance Review Timetable

12. The draft recommendation of the Council on the outcome of the review will be published by 17th December 2021, followed by the commencement of a further 5 week period of consultation closing on 21st January 2022. That the further consultation on the draft proposals will be through the SSDC Website, social media, local press and posters Representations received on the draft recommendation will be submitted for consideration by South Somerset District Council at its meeting of the full Council on 24th February 2022 when the final decision on the review will be taken. Any changes which may result from this review will be implemented at the next Parish Council elections.

Financial Implications

13. The cost of producing the consultation leaflets (675) and distributing by second class post was £488. There has been a cost in staff time in the production of the consultation leaflets and the analysis of the responses and these costs have been absorbed within existing budgets.
14. It is anticipated that the further consultation on the draft proposals will be through the SSDC Website, local press and posters. This cost is likely to be less than £50.
15. There is no specific budget for Community Governance Reviews and all costs have been absorbed within the existing Democratic Services budget for 2021/22. Additionally, there is no power to re-charge the cost of the review to any other Council,



Legal implications (if any) and details of Statutory Powers

16. This Community Governance Review has taken place under the provisions of Part 4 of the Local Government and Public Involvement in Health Act 2007.

Council Plan Implications

17. Our Values: **Working collaboratively** - Working with partners to enhance outcomes for our communities.

Carbon Emissions and Climate Change Implications

18. No implications at the current time.

Equality and Diversity Implications

19. The local government electors within the parishes of Yeovilton (including Yeovilton, Podimore, Bridghampton, and Speckington) and Limington were consulted on the proposal and their views considered as part of the consultation process. The council must have regard to the need to secure that the community governance arrangements for the area and the identities and interests of the community in the area are effective and convenient.

Privacy Impact Assessment

20. The only personal data collected has been the names and addresses of the residents responding to the consultation, to ascertain that they are eligible (i.e. a registered elector within the parish of either Yeovilton or Limington) to participate. This information has only been processed by SSDC staff and will be retained until the conclusion of the review in approximately 4 months time. The data is held securely and will be deleted at the conclusion of the review.

Background Papers

Local Government and Public Involvement in Health Act 2007

The Electoral Commission Guidance on Community Governance Reviews, April 2008

Formal request from Yeovilton Parish Council

Formal request from Limington Parish Meeting

Proposed joining of Yeovilton Parish Council and Limington Parish Meeting –
Community Governance Review Report to Council – July 2020

Terms of Reference of the Community Governance Review of the Parish Arrangements
for Yeovilton Parish Council and Limington Parish Meeting



Report of Executive Decisions

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

Purpose of the Report

This report is submitted for information and summarises decisions taken by the Chief Executive, Portfolio Holders and District Executive Committee at their meetings on 4th November and 2nd December 2021.

Members are invited to ask any questions of the Portfolio Holders.

Background Papers

All Published

Appendix A

Portfolio	Subject	Decision	Taken By	Date
Strategy and Housing	Corporate Performance Report 2021-22: 2 nd Quarter	The District Executive agreed to note the Corporate Performance Report 2021-22: 2 nd Quarter.	District Executive	04/11/21
Strategy and Housing	Community Housing Fund Reserve (X8378)	The Portfolio Holder has approved the following changes in fund distribution to enable officers to assign the remaining funds specifically allocated by central Government, to support Community Led Housing schemes: a. Transfer the remaining Housing Need Survey funding of £13,392.62 into the Small Grants and Feasibility budget. b. The overall remaining budget of £168,233.62 to support Community Led Housing Schemes.	Portfolio Holder	12/11/21
Strategy and Housing	Corporate Health & Safety Policy	This report was recommended to Council and appears elsewhere on the agenda.		
Chard Regeneration	Chard Shop Front Design Guide	That the District Executive recommend that the Chief Executive approve the draft Chard Shop Front Design Guide (Appendix A) for formal consultation.	Chief Executive	02/12/21
Strategy and Housing	COVID Recovery and Renewal Strategy: six months' progress report	That District Executive recommend that the Chief Executive:- a. notes the good delivery progress made within the first six months' (Appendix 1) b. agree that rather than establishing a new Recovery Board that Members and Officers continue to have representation on the groups identified (in Appendix 2) and co-ordinate to ensure alignment with SSDC's Recovery and Renewal Strategy delivery.	Chief Executive	02/12/21
Finance and Legal Services	2021/22 Revenue Budget Monitoring Report for the Period Ending 30 September 2021	That District Executive recommend that the Chief Executive:- a. notes the variances being forecast from the 2021/22 revenue budget agreed by Council in February 2021 as set out in Table One. b. approves the virement of £28k from the insurance budget to fund the extension of key fixed term posts across the Council until the end of this financial year, as described in paragraphs 39 to 42. c. notes the budget virements made under delegated authority as detailed in Appendix A.	Chief Executive	02/12/21

Portfolio	Subject	Decision	Taken By	Date
		<p>d. notes the transfers made to date to and from reserves outlined in Table Four.</p> <p>e. delegates the formal decision to remain in the Somerset Business Rates Pool to the Chief Finance Officer in consultation with the Finance & Legal Services Executive Portfolio Holder (see paragraphs 48 to 49).</p> <p>That District Executive recommend Council to:-</p> <p>f. approve Revised Estimates for the 2021/22 revenue budget as shown in Table One and as described in paragraphs 11 to 35 in this report.</p> <p>g. approve the deletion and the consequential movement of reserve balances as set out in Table Five.</p> <p>h. note the forecast year end reserves position shown in Appendix B and described in paragraphs 58 and 59.</p>		
Finance and Legal Services	2021/22 Capital Monitoring Report Period Ending 31 st October 2021	This report was recommended to Full Council and appears elsewhere on the agenda.		
Area South including Yeovil Refresh	Yeovil Refresh – Implementation	<p>That District Executive recommends that the Chief Executive:-</p> <p>a. approves engagement with the owners’ of the property identified in the confidential appendix to this report with the aim of agreeing terms for purchase by the council.</p> <p>b. approves allocation of the amount of capital identified in the confidential appendix to this report which may be applied to property purchase as identified, subject to a Full Council decision to approve the revised estimates to the Capital budget for 2021/22.</p> <p>c. authorises the Director, Place and Recovery, in consultation with Yeovil Refresh Portfolio Holder, Portfolio Holder – Economic Development including Commercial Strategy, S151 Officer, and Monitoring Officer, to conclude contracts for purchase of property identified in the confidential appendix to this report.</p>	Chief Executive	02/12/21



Audit Committee

Committee Chairman: Cllr Martin Carnell
Lead Officer: Karen Watling, Section 151 Officer
Contact Details: Karen.watling@southsomerset.gov.uk

This report summarises the items considered by the Audit Committee since the last report to Council in October 2021.

The Audit committee met informally on the 28th October and the 25th November 2021. Minutes of the meeting can be viewed on the website and will be available shortly after this agenda has been published.

<https://modgov.southsomerset.gov.uk/ieListMeetings.aspx?CId=135&Year=0>

Below are the items that have been considered.

28th October

- Redmond Review into the effectiveness of local audit and the transparency of local authority financial reporting
- Internal Audit Progress Report 2021-22
- 2021/22 Treasury Management Mid-Year Performance Report and Strategy Update

25th November

- Presentation - Counter Fraud
- Proposal to opt into the National Scheme for External Auditor Appointments

Audit members attended a training session held by CIPFA and the Finance team in readiness for signing off the Statement of Accounts. This item is on the forward plan for the February meeting.

The next meeting is scheduled to take place on the 9th February 2022 at 14:00pm.

Martin Carnell
Chairman of Audit Committee



Scrutiny Committee

Committee Chairman: Cllr Gerard Tucker
Lead Officer: Stephanie Gold, Scrutiny and Member Development
Contact Details: stephanie.gold@southsomerset.gov.uk

This report summarises the work of the Scrutiny Committee since the last report to Council in October 2021.

Since the last report, the committee have met informally, on 30 November 2021. Minutes of the meeting can be viewed on the website at:
<https://modgov.southsomerset.gov.uk/ieListMeetings.aspx?CId=141&Year=0>

The Committee have continued to consider the reports going before District Executive and providing 'critical friend' challenge.

The Committee continues to provide feedback and support to officers in relation to governance and policy development, e.g. 30 November 2021 CIL governance workshop (for Scrutiny Members) with Lead Specialist Economic Development.

The Scrutiny Committee would welcome the opportunity to assist with the ongoing Local Government Reorganisation work streams, and there is space in the work programme to accommodate this if required.

The Scrutiny and Member Development Specialist invites all members and officers to feed matters of interest into the scrutiny work programme. Anyone who wishes to submit an item/issue for scrutiny review can email stephanie.gold@southsomerset.gov.uk

Gerard Tucker
Scrutiny Committee Chairman



Date of Next Meeting

Members are asked to note that the next scheduled meeting of the Full Council will take place on **Thursday, 20th January 2022** at the Westland Entertainment Venue, Westbourne Close, Yeovil BA20 2DD and as a virtual meeting using Zoom meeting software commencing **at 6.30 p.m.**



Exclusion of Press and Public

The District Executive is asked to agree that the following item (agenda item 22) be considered in Closed Session by virtue of the Local Government Act 1972, Schedule 12A under paragraphs 1 and 2:

1. Information relating to any individual.
2. Information which is likely to reveal the identity of an individual.

It is considered that the public interest in maintaining the exemption from the Access to Information Rules outweighs the public interest in disclosing the information.
