



Notice of Meeting of

FULL COUNCIL

Tuesday, 20 February 2024 at 10.00 am

**Hollinsworth Hall, Canalside Conference Centre,
Marsh Lane, Huntworth, Bridgwater, TA6 6LQ**

All Somerset Council Members are requested to attend.

For further information about the meeting, including how to join the meeting virtually, please contact Democratic Services democraticservicesteam@somerset.gov.uk

All members of the public are welcome to attend our meetings and ask questions or make a statement **by giving advance notice** in writing or by e-mail to the Monitoring Officer at email: democraticservicesteam@somerset.gov.uk by **5pm on Wednesday, 14 February 2024**.

This meeting will be open to the public and press, subject to the passing of any resolution under the Local Government Act 1972, Schedule 12A: Access to Information.

The meeting will be webcast and an audio recording made.

Issued by (the Proper Officer) on Monday, 12 February 2024

AGENDA

Full Council - 10.00 am Tuesday, 20 February 2024

Public Guidance Notes contained in Agenda Annexe (Pages 9 - 12)

Click here to join the online meeting (Pages 13 - 14)

1 Apologies for Absence

To receive any apologies for absence.

2 Minutes from the Previous Meeting (Pages 15 - 32)

To approve the minutes from the previous meeting.

3 Declarations of Interest (Pages 33 - 34)

To receive and note any declarations of interests in respect of any matters included on the agenda for consideration at this meeting.

(The other registrable interests of Councillors of Somerset Council, arising from membership of City, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes: [City, Town & Parish Twin Hatters - Somerset Councillors 2023](#))

4 **Public Question Time**

Amended procedures for the budget meetings:-

Due to the high volume of submissions anticipated for the budget meetings of Scrutiny (Corporate and Resources), Executive and Full Council, the Monitoring Officer in consultation with the Chair of each meeting, has allocated up to 60 minutes at the meeting for Public Question Time meeting (with a maximum of 10 speakers permitted to speak at the meeting). Generally this will be set aside near the beginning of the meeting or the Chair may invite speakers at the specific agenda item their questions relate to.

Based on the time to be set aside for PQT, we anticipate up to ten speakers will be invited by the Chair to individually address the meeting. Each speaker will have for up to 3 minutes and will be allowed a maximum of 3 questions. The ten speakers will receive a verbal response at the meeting.

Each speaker must direct their questions and comments through the Chair. You may not take a direct part in the members' debate at the meeting. The Chair will have the discretion to conclude or extend the time permitted for public participation.

Any submissions that are received over the ten speakers allowed at the meeting, will receive a written response after the meeting. However, all questions and statements received will be published on the Council's website and circulated to all members at least 1 working day before the meeting.

If you wish to speak or ask a question about any matter on the agenda, please contact Democratic Services by 5pm providing 3 clear working days before the meeting. (for example, for a meeting being held on a Wednesday, the deadline will be 5pm on the Thursday prior to the meeting) Email democraticservicesteam@somerset.gov.uk or telephone 01823 357628. You will need to include your full name, address and contact details.

Anyone wishing to speak, make a statement or ask a question will need to attend in person or alternatively can join the meeting remotely. If you are unable to do either of these then your question or statement could be read out at the meeting if time permits.

If an item on the agenda is contentious, with many people wishing to attend the meeting or if multiple speakers wish to ask questions that are similar to others, a representative will need to be nominated to present the views of the group. Democratic Services will assist in the process of nominating a representative if this occurs.

5 **Chair's Announcements** (Pages 35 - 36)

Reports for Decision

6 **Report of the Section 151 Officer** (Pages 37 - 84)

To consider the Section 25 Report.

Agenda items 7-11 set out the Leader's and Executive's recommendations to Council arising from their consideration of reports at the Executive meeting on 7 February 2024 (the Executive also met on 15 January 2024, but no decisions requiring Full Council approval were considered at this meeting). Agenda item 11 also includes Council Tax Setting 2024-25.

7 **Report of the Leader and Executive - Capital Strategy 2024/25 to 2026/27**
(Pages 85 - 132)

To consider the Capital Strategy 2024-25 to 2026-27.

8 **Report of the Leader and Executive - Treasury Management Strategy 2024-25**
(Pages 133 - 172)

To consider the Treasury Management Strategy 2024-25.

9 **Report of the Leader and Executive - 2024/25 General Fund Capital Budget**
(Pages 173 - 196)

To consider the 2024-25 General Fund Capital Budget.

10 **Report of the Leader and Executive - Housing Revenue Account 2024-25**
(Pages 197 - 298)

To consider the Housing Revenue Account 2024-25.

Note - A recorded vote on these recommendations will be required as per the legislation.

11 **Report of the Leader and Executive - General Fund Revenue Budget and Medium Term Financial Plan 2024-25 including Council Tax Setting 2024-25**
(Pages 299 - 502)

To consider the following reports:-

- General Fund Revenue Budget and Medium-Term Financial Plan 2024-25
- Council Tax Setting 2024-25

To view all the supporting documents, including the Savings Proposals, the Cumulative Impact Assessment and the relevant Equality Impact Assessment forms, please access the web library by using this link - [Supporting Documents](#)

Please note: The Monitoring Officer has agreed a dispensation for all 110 councillors to enable them to fully participate Full Council in debating, setting and agreeing the Council's budget 2024/25 (including setting council tax), Housing Revenue Account budget and the Members Allowances Scheme 2024/25.

Note - A recorded vote on these recommendations will be required as per the legislation.

12 **Report of the Human Resources Committee** (Pages 503 - 518)

To consider the Pay Policy Statement 2024-25.

13 **Report of the Independent Remuneration Panel** (Pages 519 - 558)

To consider the Member Scheme of Allowances 2024-25.

14 **Report of the Chief Executive** (Pages 559 - 566)

To consider the report for Service Director Appointment.

15 **Report of the Monitoring Officer** (Pages 567 - 572)

To consider the following reports:-

- a) Appointment of Vice Chair of the Scrutiny Committee for Corporate and Resources
- b) Appointment of Independent Person

16 **Report of the Audit Committee** (Pages 573 - 656)

To consider the Somerset Joint Auditors Annual Report.

Reports for Information

17 **Report of the Leader and Executive - For Information** (Pages 657 - 660)

To note the report.

17.1 Annual Report of the Lead Member for Adult Services (Pages 661 - 678)

To note the annual report of the Lead Member for Adult Services.

17.2 Annual Report of the Lead Member for Transformation and HR (Pages 679 - 686)

To note the annual report of the Lead Member for Transformation and HR.

18 **Report of the Five Scrutiny Committees** (Pages 687 - 700)

To note the report of the five Scrutiny Committees.

19 **Annual Report of the Pensions Fund Committee** (Pages 701 - 956)

To note the annual report of the Pensions Fund Committee.

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Guidance notes for the budget meeting

Council Public Meetings

The legislation that governs Council meetings requires that committee meetings are held face-to-face. The requirement is for members of the committee and key supporting officers (report authors and statutory officers) to attend in person, along with some provision for any public speakers. Provision will be made wherever possible for those who do not need to attend in person including the public and press who wish to view the meeting to be able to do so virtually.

Inspection of Papers

Any person wishing to inspect minutes, reports, or the background papers for any item on the agenda should contact Democratic Services at democraticservicesteam@somerset.gov.uk or telephone 01823 357628.

They can also be accessed via the council's website on [Committee structure - Modern Council \(somerset.gov.uk\)](#)

Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership. The Code of Conduct can be viewed at: [Code of Conduct](#)

Minutes of the Meeting

Details of the issues discussed, and recommendations made at the meeting will be set out in the minutes, which the Committee will be asked to approve as a correct record at its next meeting.

Public Question Time

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Meeting Etiquette for participants

Only speak when invited to do so by the Chair.

Mute your microphone when you are not talking.

Switch off video if you are not speaking.

Speak clearly (if you are not using video then please state your name)

If you're referring to a specific page, mention the page number.

There is a facility in Microsoft Teams under the ellipsis button called turn on live captions which provides subtitles on the screen.

Exclusion of Press & Public

If when considering an item on the agenda, the Committee may consider it appropriate to pass a resolution under Section 100A (4) Schedule 12A of the

Local Government Act 1972 that the press and public be excluded from the meeting on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information, as defined under the terms of the Act.

If there are members of the public and press listening to the open part of the meeting, then the Democratic Services Officer will, at the appropriate time, ask participants to leave the meeting when any exempt or confidential information is about to be discussed.

Recording of meetings

The Council supports the principles of openness and transparency. It allows filming, recording, and taking photographs at its meetings that are open to the public - providing this is done in a non-disruptive manner. Members of the public may use Facebook and Twitter or other forms of social media to report on proceedings. No filming or recording may take place when the press and public are excluded for that part of the meeting.

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Minutes of a Meeting of the Full Council held in the Hollinsworth Hall, Canalside Conference Centre, Marsh Lane, Huntworth, Bridgwater, TA6 6LQ, on Wednesday, 20 December 2023 at 2.00 pm

Present:

Cllr Lee Baker (Chair)

Cllr Steve Ashton

Cllr Jason Baker

Cllr Brian Bolt

Cllr Hilary Bruce

Cllr Mike Caswell

Cllr Nicola Clark

Cllr Barry Clarke

Cllr Simon Coles

Cllr Nick Cottle

Cllr Dixie Darch

Cllr Tom Deakin

Cllr Martin Dimery

Cllr Michael Dunk

Cllr Habib Farbahi

Cllr Bob Filmer

Cllr Tony Grimes

Cllr Pauline Ham

Cllr Mark Healey

Cllr Ross Henley

Cllr Edric Hobbs

Cllr John Hunt

Cllr Helen Kay

Cllr Marcus Kravis

Cllr Tony Lock

Cllr Dave Mansell

Cllr Kevin Messenger

Cllr Tessa Munt

Cllr Frances Nicholson

Cllr Sue Osborne

Cllr John Bailey

Cllr Marcus Barr

Cllr Alan Bradford

Cllr Theo Butt Philip

Cllr Norman Cavill

Cllr Mandy Chilcott

Cllr Peter Clayton

Cllr John Cook-Woodman

Cllr Adam Dance

Cllr Hugh Davies

Cllr Dawn Denton

Cllr Andy Dingwall

Cllr Caroline Ellis

Cllr Ben Ferguson

Cllr David Fothergill

Cllr Andy Hadley

Cllr Philip Ham

Cllr Alistair Hendry

Cllr Mike Hewitson

Cllr Henry Hobhouse

Cllr Dawn Johnson

Cllr Jenny Kenton

Cllr Liz Leyshon

Cllr Martin Lovell

Cllr Matthew Martin

Cllr Harry Munt

Cllr Mike Murphy

Cllr Graham Oakes

Cllr Connor Payne

Cllr Kathy Pearce
Cllr Evie Potts-Jones
Cllr Faye Purbrick
Cllr Leigh Redman
Cllr Mike Rigby
Cllr Jo Roundell Greene
Cllr Peter Seib
Cllr Brian Smedley
Cllr Andy Soughton
Cllr Claire Sully
Cllr Sarah Wakefield
Cllr Richard Wilkins
Cllr Rosemary Woods
Cllr Ros Wyke

Cllr Derek Perry
Cllr Hazel Prior-Sankey
Cllr Wes Read
Cllr Bill Revans
Cllr Diogo Rodrigues
Cllr Dean Ruddle
Cllr Heather Shearer
Cllr Federica Smith-Roberts
Cllr Mike Stanton
Cllr Andy Sully
Cllr Martin Wale
Cllr David Woan
Cllr Gwil Wren

Other Members present remotely:

Cllr Mike Best
Cllr Andy Kendall
Cllr Tony Robbins

Cllr Adam Boyden
Cllr Christine Lawrence
Cllr Lucy Trimnell

45 Apologies for Absence - Agenda Item 1

Apologies were received from Councillors Suria Aujla, Mike Best, Simon Carswell, Shane Collins, Lance Duddridge, Sarah Dyke, Andrew Govier, Susannah Hart, Bente Height, Val Keitch, Andy Kendall, Tim Kerley, Christine Lawrence, Oliver Patrick, Emily Pearlstone, Tom Power, Steven Pugsley, Tony Robbins, Gill Slocombe, Fran Smith, Jeny Snell, Lucy Trimnell and Alex Wiltshire.

46 Minutes from the Previous Meeting - Agenda Item 2

During the discussion, the following point was raised:-

- Councillors highlighted that the proposer and seconder needed to be updated on the Corporate Parenting Board item from the previous meeting, as it stated Jane Lock proposed and she was not able to do so as a non-councillor.

RESOLVED that the minutes of Full Council held on 27 September 2023, with the amendment, be confirmed as a correct record.

47 Declarations of Interest - Agenda Item 3

Councillors present at the meeting declared the following other registerable interests in their capacity as a Councillor of a Town or Parish Council or any other Local Authority:-

UNITARY COUNCILLOR	TOWN AND/OR PARISH COUNCIL
Steve Ashton	Crewkerne Town Council / Hinton St George Parish Council / West and Middle Chinnock Parish Council
Jason Baker	Chard Town Council
Lee Baker	Cheddon Fitzpaine Parish Council
Marcus Barr	Wellington Town Council
Alan Bradford	North Petherton Town Council
Theo Butt Philip	Wells City Council
Norman Cavill	West Monkton Parish Council
Peter Clayton	Burnham Highbridge Town Council
Nick Cottle	Glastonbury Town Council / St Edmunds Parish Council
Adam Dance	South Petherton Parish Council
Tom Deakin	Taunton Town Council
Andy Dingwall	Westonzoyland Parish Council
Caroline Ellis	Taunton Town Council
Ben Ferguson	Axbridge Town Council
Bob Filmer	Brent Knoll Parish Council
Pauline Ham	Axbridge Town Council
Philip Ham	Coleford Parish Council
Alastair Hendry	Burnham on Sea and Highbridge Town Council
Ross Henley	Wellington Town Council
Edric Hobbs	Shepton Mallet Town Council
John Hunt	Bishop's Hull Parish Council
Jenny Kenton	Chard Town Council
Marcus Kravis	Minehead Town Council
Tony Lock	Yeovil Town Council
Martin Lovell	Shepton Mallet Town Council
Mike Murphy	Burnham Highbridge Town Council
Graham Oakes	Yeovil Town Council / Yeovil Without Parish Council
Sue Osborne	Ilminster Town Council
Kathy Pearce	Bridgwater Town Council
Evie Potts-Jones	Yeovil Town Council
Wes Read	Yeovil Town Council
Leigh Redman	Bridgwater Town Council

Mike Rigby	Bishop's Lydeard and Cothelstone Parish Council
Diogo Rodrigues	Bridgwater Town Council
Dean Ruddle	Somerton Town Council
Peter Seib	Brympton Parish Council / Chilthorne Domer Parish Council
Heather Shearer	Street Parish Council
Brian Smedley	Bridgwater Town Council
Federica Smith-Roberts	Taunton Town Council
Andy Soughton	Yeovil Town Council
Richard Wilkins	Curry Rivel Parish Council
Dave Woan	Yeovil Town Council
Ros Wyke	Westbury-sub-Mendip Parish Council

Councillor Marcus Kravis further declared a non-registrable interest on agenda item 10, as he holds a gambling license.

A debate was had on whether councillors were required to declare an interest on agenda item 7 as second homeowners. Advice was given by the Monitoring Officer on what should be declared. The following councillors declared a disclosable pecuniary interest and would leave the room during the debate: Councillors Jason Baker, Brian Bolt, Mandy Chilcott, John Cook-Woodman, Habib Farbahi, Mark Healey, Alastair Hendry, Helen Kay, Jenny Kenton, Marcus Kravis, Dean Ruddle, Mike Stanton, Andy Sully and Ros Wyke.

48 Public Question Time - Agenda Item 4

Public Questions were received from:-

- Ray Rose – Vivary Park
- Rosa Fell – Transport
- David Redgewell – Transport
- Peter Travis – Transport
- David Orr – Phosphates
- Valda Dagnell/Elspeth Waldie – Green Project
- Nigel Behan – Budget and Council Services
- Eva Bryczkowski – Section 114
- Colin Nash – Budget and Council Services
- Beth Poole – Budget and Council Services
- Alison Hann – Budget and Council Services
- Ian Glover – Budget and Council Services
- Richard Brown – Budget and Council Services

The questions and responses provided are attached to the minutes in Annex A.

49 Chair's Announcements - Agenda Item 5

The Vice Chair of the Council (in the Chair), Councillor Lee Baker, referred to the events detailed on the Chair's Information Sheet, circulated and published with the agenda.

50 Report of the Leader and Executive - Agenda Item 6

PAPER A

The Deputy Leader of the Council and Lead Member for Resources and Performance, Councillor Liz Leyshon, introduced the report on the 2024/25 General Fund Revenue Budget and Capital Programme update, which the Executive considered and endorsed at its meeting on 6 December 2023.

The purpose of the report was to set out the challenging financial position faced by the Council.

Councillor Liz Leyshon proposed the recommendations which were seconded by Councillor Bill Revans.

The Council discussed the report and the following points were raised:-

- Some councillors highlighted the 74 sites that had been declared surplus and asked when they would find out more about any sites in their divisions so they could work with the City, Town and Parish Councils as part of the Council's devolution programme and partnership work with local councils.
- Councillors requested that Paper A's appendix one be considered further at the next available meeting of the Scrutiny Committee for Corporate and Resources.

The Lead Member for Resources and Performance apologised for the lateness of the papers that had gone to Executive and advised that work was still ongoing on the report and involved collating a lot of data.

- Councillors felt that Central Government had failed Somerset Council with the level of funding being granted.
- Concern was raised on the lack of detail contained within the report which was hampering the discussions held with the City, Town and Parish Councils on the devolution project.

The Lead Member for Economic Development, Planning and Assets advised that the Asset Strategy had made the details transparent, and the Disposal Policy had been through Full Council for decision, both documents had been clear on the process to be followed and had involved the local councillors.

- Councillors supported the proposal that Somerset Council needed a vision for the future to create a sustainable council.
- Concern was raised on behalf of the officers and residents regarding the scale of challenge and change for Somerset Council over the forthcoming year and future years.

The Lead Member for Resources and Performance acknowledged that they were aware of officer welfare and that the Executive had not taken the decision easily to declare a financial emergency.

- Councillors queried how much research had been carried out on what other councils had done both before and after issuing a Section 114 notice.
- Some councillors highlighted that more scrutiny of the financial emergency and budget proposals would help provide further options and ideas to the Executive and Full Council when recommending and approving the Annual Budget in February. Councillors further highlighted that the process also needed to further involve local councillors in the ethos of the 'Tell Local Councillor' manner.

The Lead Member for Resources and Performance referenced the various budget briefings for councillors and the scheduled scrutiny committee meeting on the budget proposals on 1 February 2024. They also advised that they had attended the Local Community Network meetings to update them on the financial position and were happy to continue to attend.

- Councillors reflected that they understood the significant challenges facing the Council and that there were difficult decisions to be made.
- Some concern was raised about the capitalisation request which formed part of the recommendations and an explanation was provided for how that request formed part of the Council being able to set a balanced budget.
- Reference was made to a democratic deficit as a result of the reduction in councillors through creating the new Somerset Council and the added pressure on councillors working with their local communities during this challenging time and over the next few years.

Having been duly proposed and seconded, the Council **RESOLVED** to:

Note that the Council had declared a financial emergency and accordingly endorsed the range of actions and mitigations being taken forward. Furthermore, the Council fully supported the Executive and Senior Officers to continue its discussions with the Department for Levelling Up, Housing and Communities (DLUHC) and formally requests a capitalisation direction in order to set the 2024/25 budget.

The meeting adjourned at 4.00pm

The meeting restarted at 4.15pm

PAPER B

The Deputy Leader of the Council and Lead Member for Resources and Performance, Councillor Liz Leyshon, introduced the report on the Council Tax Reduction and Exceptional Hardship Scheme for 2024/25, which the Executive considered and endorsed at its meeting in 6 December 2023.

The purpose of the report was to formally agree a Council Tax Reduction Scheme for the year for working aged people.

Councillor Liz Leyshon proposed the recommendations which were seconded by Councillor David Fothergill.

The Council discussed the report and the following points were raised:-

- Councillors welcomed the report.
- Councillors agreed it was important to look at the facts and figures.
- Councillors agreed that they needed to ensure they supported the local residents.

Having been duly proposed and seconded, the Council **RESOLVED** to approve:

- i. The Council Tax Reduction and Exceptional Hardship schemes set out in Appendices 4 and 5 to this report;
- ii. Option 3 in relation to the income band thresholds used within Schedule 1 of the proposed Council Tax Reduction scheme i.e. uprating in line with the 6.7% rise in state benefits announced by Government in the November 2023 Autumn Statement; and
- iii. A full review of the Council Tax Reduction scheme during the 2024/25 financial year to identify options for a revised scheme in the 2025/26 financial year. (NB. the review and consultation exercise would require funding which was anticipated to be in the region of £60k).

PAPER C

The Deputy Leader of the Council and Lead Member for Resources and Performance, Councillor Liz Leyshon, introduced the report on the Annual Treasury Management Outturn Report 2022-23 / Annual Treasury Management Mid-Year Report 2023/24, which the Executive considered and endorsed at its meetings on 4 October 2023 and 6 December 2023.

The purpose of the report was to cover the Treasury Management activity for 2022-23 and the first 6 months of the 2023-24 financial year.

Councillor Liz Leyshon proposed the recommendations which were seconded by Councillor Bill Revans.

The Council discussed the report and the following point was raised:-

- Councillors queried the calculations stated within the report on the percentage drop in investments.

Having been duly proposed and seconded, the Council **RESOLVED** to approve the reports as being compliant with the CIPFA Code of Practice for Treasury Management.

PAPER D

The Leader of the Council, Councillor Bill Revans, introduced the report on the Harbour Management Advisory Committee, which the Executive considered and endorsed at its meeting on 6 December 2023.

The purpose of the report was to propose the formation of a committee of the council which would enable broader membership and locally elected members to be part of the Harbour Management Advisory Committee.

Councillor Bill Revans proposed the recommendations which were seconded by Councillor Leigh Redman.

The Council discussed the report and the following points were raised:-

- Councillors thanked the Leader for the report.
- Councillors agreed it was a positive move to involve local councillors on the Sub-Committee.
- Councillors were pleased to see cross party involvement on the Sub-Committee.
- Councillor David Fothergill proposed an amendment to recommendation iv: that the appointment of the members be delegated to the Monitoring Officer, as nominated by the Group leaders, which was seconded by Councillor Bill Revans. The vote was taken on the amendment and was carried and became part of the substantive motion.

Having been duly proposed and seconded, the Council **RESOLVED** to approve:

- i. that a Harbour Management Advisory Committee was established as an advisory committee to the Executive under s102(4) of the Local Government Act 1972;
- ii. the Terms of Reference of the Harbour Management Advisory Committee attached at Appendix 1;
- iii. the terms of the Memorandum of Understanding between the Executive and the Harbour Management Advisory Committee attached as Appendix 2;
- iv. the appointment of 6 elected members be delegated to the Monitoring Officer, as nominated by relevant political group leaders, to the Harbour

- Management Advisory Committee in accordance with the political balance requirements in section 15 of the Local Government and Housing Act 1989.
- v. delegated authority be granted to the Service Director Regulatory and Operational in consultation with the Service Director Governance, Democratic and Legal Services to conduct a skills audit for the Harbour Management Advisory Committee and to conduct the process for the recruitment of appropriately skilled co-opted members to the Committee and make recommendations to Full Council for appointment of the co-opted members.

PAPER E

The Leader of the Council, Councillor Bill Revans, introduced the report on the proposed withdrawal and dissolution of the Heart of the South West Joint Committee, which the Executive considered and endorsed at its meeting on 6 December 2023.

The purpose of the report was to specifically recommend that the Council agree to serve notice of its withdrawal and that the Heart of the South West Joint Committee be dissolved on 31 December 2023.

Councillor Bill Revans proposed the recommendations which were seconded by Councillor David Fothergill.

The Council discussed the report and the following point was raised:-

- Councillors highlighted that the Heart of the South West had been an important vehicle used to approach Central Government on certain issues. However, it had now outlived its purpose and naturally had come to an end.

Having been duly proposed and seconded, the Council **RESOLVED** to agree to serve notice of its withdrawal and that the Heart of the South West Joint Committee be dissolved on 31 December 2023.

PAPER F

The Lead Member for Communities, Housing and Culture, Councillor Federica Smith-Roberts, introduced the report on the 2023/24 Housing Revenue Account Q1, which the Executive considered and endorsed at its meeting on 4 October 2023.

The purpose of the report was to provide an update on the projected outturn financial position of the Council's Housing Revenue Account for the year 2023-24.

Councillor Federica Smith-Roberts proposed the recommendations which were seconded by Councillor Liz Leyshon.

The Council discussed the report and the following point was raised:-

- Councillors were pleased to support the report.

Having been duly proposed and seconded, the Council **RESOLVED** to approve a supplementary capital budget of £3,313,829 for the in-house service to spend on Fire Safety.

51 Report of the Executive Director for Corporate and Resources - Additional Council Tax Premiums - Agenda Item 7

Councillors Jason Baker, Brian Bolt, Mandy Chilcott, John Cook-Woodman, Habib Farbahi, Mark Healey, Alastair Hendry, Helen Kay, Jenny Kenton, Marcus Kravis, Dean Ruddle, Mike Stanton, Andy Sully and Ros Wyke left the room for the debate.

The Executive Director for Corporate and resources, Jason Vaughan, introduced the report which set out the intention to provide for statutory exemptions from the premiums and to reaffirm the decision to implement both premiums.

The Council discussed the report and the following points were raised:-

- Councillors requested clarification on the impact having furnishings in the property might make on which exemption they could be eligible for.
The Interim Revenues and Benefits Manager gave advice on the different classes of exemptions that could be used.
- Councillors queried the delegation to the Section 151 Officer and what level of change would require Full Council approval.
The Interim Revenues and Benefits Manager advised that they were still waiting for statutory information from Central Government and that the Section 151 Officer would only implement that information.

Councillor Liz Leyshon proposed the recommendations which were seconded by Councillor Bill Revans.

Having been duly proposed and seconded, the Council **RESOLVED** to:
Reaffirm the decision taken on 23 November 2022 to:

- i. Reduce the qualifying period for the long-term empty property premium to one year effective from 1st April 2024; and
- ii. Implement a 100% premium for second homes (dwellings which were furnished, but unoccupied) effective from 1st April 2025.

Council was also recommended to delegate powers to the Council's Section 151 Officer to enable them to amend the policy and / or any associated procedures to ensure alignment with the regulations or statutory guidance relating to the exemptions from the premiums, when these were issued or subsequently amended

by Government.

Councillor David Fothergill called for a recorded vote to ensure transparency, which was seconded by Councillor?

The results were **71 FOR** the recommendations and **1 ABSTAINED**.

Councillors Jason Baker, Brian Bolt, Mandy Chilcott, John Cook-Woodman, Habib Farbahi, Mark Healey, Alastair Hendry, Helen Kay, Jenny Kenton, Marcus Kravis, Dean Ruddle, Mike Stanton, Andy Sully and Ros Wyke returned to the room.

52 Report of the Chief Executive - Somerset Council Redundancies Requiring Full Council Approval - Agenda Item 8

The Chief Executive, Duncan Sharkey, introduced the report which set out the proposed dismissals on account of redundancy in relation to the creation of Somerset Council and the appointments to senior management posts in the Climate and Place, Community Services and Resources and Corporate Services Directorates.

The Council discussed the report and the following points were raised:-

- Councillors agreed it was unfortunate timing for officers especially with the consultation period just before Christmas.
The Chief Executive understood their concern, however, it was part of the process and the officers involved had known for some time.
- Councillors thanked the officers involved for their service to the Council.

Councillor Theo Butt-Philip proposed the recommendations which were seconded by Councillor Faye Purbrick.

Having been duly proposed and seconded, the Council **RESOLVED** to:

1. Approve the severance costs for 5 posts as set out in Appendix A, where Full Council approval was required for costs that exceeded £100,000.
2. Delegate authority to the Chief Executive to agree the final date of dismissal and the final redundancy packages, noting that such settlements would not exceed contractual redundancy pay, the payment required under statute to the Local Government Pension Scheme, or the requirement for Full Council approval for any severance payment that exceeded £100,000.

53 Report of the Standards Committee - Agenda Item 9

The Chair of the Standards Committee, Councillor John Bailey, introduced the report, which set out the proposed reduction in the level at which gifts and

hospitality needed to be declared by elected members.

The Council discussed the report and the following points were raised:-

- Concern was raised that the proposed limit of £10 was too low.
- Councillors requested that the report be taken back to the Standards Committee for further debate.
- Councillors from the Standards Committee gave feedback on the debate and advised that the co-opted members of the Committee had supported the change from a public point of view.
- Concern was raised on the public perception on whether they had accepted or declined the gift/hospitality.
- Concern was raised on the civic members because they would be making daily declarations.
- Councillors wanted to be transparent with their gifts and hospitality declarations, however, they needed to be set at a realistic figure.
- Councillor Bill Revans proposed that the report be taken back to the Standards Committee for further investigation, which was seconded by Councillor David Fothergill. The vote was taken and carried and became the substantive motion.

Councillor John Bailey proposed the recommendations which were seconded by Councillor Brian Smedley.

Having been duly proposed and seconded, the Council **RESOLVED** to send the report back to the Standards Committee to reconsider Section 9 (Gifts and Hospitality) of the Members Code of Conduct.

54 Report of the Licensing and Regulatory Committee - Agenda Item 10

The Vice Chair of the Licensing and Regulatory Committee, Councillor Marcus Kravis, introduced the report which set out the new Statement of Principles – Gambling Policy for Somerset Council.

The Council discussed the report and the following point was raised:-

- Councillors thanked the Licensing Officers for all their hard work on the report.

Councillor Marcus Kravis proposed the recommendations which were seconded by Councillor Federica Smith-Roberts.

Having been duly proposed and seconded, the Council **RESOLVED** to approve the Statement of Principles – Gambling Policy.

55 **Motions on Notice** - Agenda Item 13

Motion on the immediate bilateral ceasefire in Israel-Gaza conflict

Councillor Helen Kay introduced the Motion and gave some background information on her Jewish heritage, the reasons why she had brought the Motion to Full Council and how she felt some connection to Israel and was very shocked by the attacks on innocent civilians on 7 October 2023. She also noted the following:-

- The Hamas ideology and the representation of the Palestinian cause for land rights and freedom and the political vacuum re: other political parties representing the cause.
- The Motion called for Central Government to facilitate an immediate ceasefire to release hostages and get humanitarian aid to Gaza.
- To work for a long-term political settlement that gave the people of both Israel and Palestine the hope of a peaceful future.
- The concern that the conflict could spill over into the wider region and beyond.
- The likelihood of the increased refugee pressure on Europe and the UK.
- Concern on personal safety and the increase in antisemitism behaviour and hate crime.
- She believed all councillors had a role as community leaders in speaking across racial and religious divides and attempting to reduce tensions wherever possible.
- It felt very relevant to bring this Motion to Full Council at this time of year when we wished for peace and goodwill to all men.
- She urged all councillors to support the Motion with those sentiments in mind.

The Council discussed the motion and the following points were raised:-

- Councillors agreed it was a difficult situation and agreed with the sentiment of the Motion.
- Some Councillors stated that it was not for Somerset Council to agree foreign policy and that they did not feel qualified to support the Motion.
- Councillor Mandy Chilcott proposed that a vote was called, which was seconded by Councillor Bill Revans. The vote was taken and carried.

Councillor Habib Farbahi closed the discussion and noted the following points:-

- Life was precious no matter what religion you practice.
- The attacks needed to be condemned.
- He urged councillors to work with their parliamentary members to bring in the ceasefire.

Councillor Helen Kay proposed the recommendations which were seconded by Councillor Habib Farbahi.

Having been duly proposed and seconded, the Council **RESOLVED** to write to the UK Government to call for an immediate bilateral ceasefire. Council also noted with deep concern the severe reverberations of this crisis in the UK, with Jewish, Muslim and Palestinian communities all fearing and grieving, and condemned the rise in antisemitism and Islamophobia since 7 October 2023.

56 Report of the Leader and Executive - For Information - Agenda Item 11

The Leader of the Council, Councillor Bill Revans, introduced the report which included a summary of the key decisions taken by the Leader and Executive.

Member Questions were received from:-

- Councillor Leigh Redman – Uncollected Council Tax

The questions and responses are attached to the minutes in Annex B.

The Council discussed the report and the following points were addressed to Lead Members:-

Leader of the Council

- Concern was raised on the conflicting information given to the City, Town and Parish Councils for the devolution project.

Deputy Leader of the Council

- Concern was raised that the funding for Spark had not been mentioned for next year.

The Lead Member advised that the finer details of the breakdown of funding would be included in the report going to the January meeting of Executive.

- Councillors requested that the data on council tax collection rates be taken through Scrutiny.

The Lead Member agreed as there was a lot of data to process and would feed into a piece of work to monitor collection rates.

- Councillors queried why City, Town and Parish Councils had been told to put their precepts up by a certain amount.

The Lead Member stated that City, Town and Parish Councils were sovereign councils and so therefore Somerset Council would not instruct on how much to raise the precept by.

Lead Member for Adult Services

- Councillors queried the costs associated with Europe Newton and whether they were related to transformation and within the budget calculations.

The Lead Member advised that transformation was part of the scrutiny function, the costs were part of the budget and so far they were on track to make savings.

Lead Member for Communities, Housing and Culture

- Concern was raised on the Octagon Theatre and the process followed for its closure.

The Lead Member advised that work was being carried out to investigate if the theatre could be reopened, the closure process was based on the business case.

- Councillors requested that the Lead Member talked to Yeovil Town Council to give them an update on the work.
- Councillors highlighted that Community Scrutiny had received an update on homelessness and prevention and concern was raised that if there was a reduction in funding, it would impact on the service.

The Lead Member agreed that there was a housing crisis in Somerset, with figures increasing and lack of support from Central Government. She urged councillors to keep using the scrutiny function to raise the topic.

The Chair called for a vote to extend the meeting by 30 minutes. The vote was taken and carried.

The Council discussed the report and the following points were addressed to Lead Members:-

Lead Member for Transformation and Human Resources

- Councillors queried how many officers worked a reduced week, as they had received an out of office email advising them the officer only worked 4 days.

The Lead Member advised that the Council was not proposing a 4-day work week, this would have been due to the officer working a part time contract.

The Council noted the report.

56a **Annual Report of the Lead Member for Environment and Climate Change**

The Lead Member for Environment and Climate Change, Councillor Dixie Darch, introduced her annual report.

The Council discussed the report and the following points were raised:-

- Concern was raised on the removal of the sandbag provisions and that it had been implied that there would be no impact on local communities.
The Lead Member advised that Somerset Council did not have a Sandbag Policy, however, officers were carrying out a community resilience review.
- Councillors were pleased to see the continued funding on areas within the

Tree Strategy.

- Concern was raised on urban tree cutting sites and whether there were plans to replant.

The Lead Member advised that the district councils had replacement strategies and that they were looking at a different approach for the urban planting within Somerset Council.

- Concern was raised that the Tree Strategy lacked detail on protecting woodland areas.
- Councillors requested training on biodiversity net gain.

The Lead Member advised that there was some training scheduled for January 2024.

- Councillors highlighted that village tree planting was important as well as urban tree planting.
- Councillors mentioned the target area for woodland areas and whether that had been achieved.

The Lead Member advised that it was difficult to calculate as different organisations carried out planting, but they were trying to collate the information.

- Councillors thanked the team in the black bag trial.
- Councillors thanked officers for their impressive response to the recent flooding.

The Council noted the report.

57 Report of the five Scrutiny Committees - Agenda Item 12

The Chair referred councillors to the report which set out the activity of each of the five Scrutiny Committees since April 2023.

The Council discussed the report and the following points were raised:-

- Councillors urged officers to include comments made at Scrutiny within the reports taken to Executive.
- Councillors highlighted that there was currently no forward plan document for the Scrutiny Committee for Climate and Place.
- Councillors chased the response to the letter sent with regards to the Stroke Service.

The Chair advised that the response had only just been received and would forward on to the Committee Members.

- Concern was raised that the report did not reflect the true workload of the committees.
- Councillors highlighted the importance of the Scrutiny function.

The Council noted the report.

(The meeting ended at 6.30 pm)

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CHAIR

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Councillor reminder for declaring interests

The [Members Code of Conduct](#) deals with declaration of interests and participation at meetings.

Non participation in case of Disclosable Pecuniary Interest

Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests*, you **must** disclose the interest, **must not** participate in any discussion or vote on the matter and **must not** remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest,' you do not have to disclose the nature of the interest, just that you have an interest. A dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

Disclosure of Other Registerable Interests

Where a matter arises at a meeting which directly relates to the financial interest or wellbeing of one of your Other Registerable Interests**, you **must** disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise **must not** take part in any discussion or vote on the matter and **must not** remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests 'directly relating' to financial interest or well-being

Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you **must** disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise, you **must not** take part in any discussion or vote on the matter and **must not** remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests 'affecting' financial interests or well-being

Where a matter arises at a meeting which affects –

- a) your own financial interest or well-being;
- b) a financial interest or well-being of a relative or close associate; or
- c) a financial interest or wellbeing of a body included under Other Registrable Interests

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied.

Where a matter affects the financial interest or well-being:

- a) to a greater extent than it affects the financial interests of the majority of inhabitants of the division affected by the decision and;
- b) a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest,

you may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise, you **must not** take part in any discussion or vote on the matter and **must not** remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

If your Non-Registrable Interest relates to -

- (1) an unpaid directorship on a company owned by your authority or
- (2) another local authority of which you are a member,

subject to your declaring that interest, you are able to take part in any discussion and vote on the matter.

*1. **Employment:** any employment or office held, or trade, profession or vocation carried on, by you or your partner for profit or gain.

2. **Sponsorship:** any payment or financial benefit towards your election expenses or expenses as a member received within the last 12 months, excluding any from your council.

3. **Contracts:** any current contract between your council and you, or your partner, or any body in which you or your partner are a partner, director, or shareholder.

4. **Land:** any land which is in your Council's area which you or your partner own, have a right to occupy, or receive the income from (excluding a licence to occupy land for less than a month).

5. **Corporate tenancies:** any tenancy between your council and a body in which you or your partner are a partner, director, or shareholder.

6. **Securities:** any beneficial interest in any shares or other securities of any description in a body held by you or your or your partner if the body has a place of business or land in your council's area, and: the total value of the securities held is over £25,000, or you or your partner hold more than one hundredth of the total issued share capital of the body, or if the body has more than one class of shares you or your partner hold more one hundredth of the issued share capital of that class.

**a) any unpaid directorships b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority c) any body exercising functions of a public nature directed to charitable purposes or one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union, of which you are a member or in a position of general control or management.

Chair's Report to Full Council

Councillor Mike Best, Chair of Council

Date: 1 January 2024 to 20 February 2024

The Chair or Vice Chair attended the following events:

January 2024

- 15th Introduction to new Dean of Wells Cathedral, Vicars Hall, Wells
- 19th King's Award for Voluntary Service to the West Somerset Food Cupboard Team, Church of St Michael the Archangel, Alcombe
- 25th Holocaust Memorial Service, St John's Church, Taunton
- 31st Presentation of Chair's Award to Churchinford Community PO/Shop

February 2024

- 1st Service of Celebration for Cllr Dean Ruddle, Edgar Hall, Cary Court, Somerset
- 3rd Taunton Deane Male Voice Choir Biennial Dinner, Rumwell Farm Shop, Wellington
- 6th Chair's Presentation to Aldermen of Somerset, Taunton
- 16th Service of Celebration for Alderman Alan Gloak, MBE, Glastonbury
- 17th Taunton Deane Male Voice Choir Patrons' Concert, St James' Church, Taunton

For more information please contact:	Name: Becky Angle (PA to Chair) Email: Civicoffice1@somerset.gov.uk
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Somerset Council



Full Council

20 February 2024

Section 151 Officer Section 25 Report on the 2024/25 Budget in respect of the Robustness of the Budget Estimates and Adequacy of Reserves

Executive Member(s): Councillor Liz Leyshon - Deputy Leader of the Council and Lead Member for Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan - Executive Director – Resources & Corporate Services (Section 151 Officer)

Author: Jason Vaughan - Executive Director – Resources & Corporate Services (Section 151 Officer)

Contact Details: Jason.Vaughan@Somerset.gov.uk

Summary

1. The report is a statutory requirement made under section 25 of the Local Government Act 2003, which requires the Section 151 Officer to report on the following matters to Council Members when agreeing its annual budget and Council Tax levels.
 - the robustness of the estimates made for the purposes of the budget calculations, and
 - the adequacy of the proposed financial reserves.
2. Council must have regard to this report when making its decisions around the annual budget and the level of Council Tax for 2024/25 in accordance with section 31A of the Local Government Finance Act 1992.
3. For members of the Council the Section 25 statement provides critical context for budgetary discussions. The provision of this information is a legal requirement and ensures that all Members have regard to the professional advice provided by the authority's chief financial officer when final budget decisions are made being made. To give a level of additional assurance to this report it is also prepared in consultation with the Chief Executive.

4. This report provides assurance to Council on the robustness of the 2024/25 budget estimates and the adequacy of the level of reserves for the year.
5. The report highlights the Section 151 Officer's concerns in respect of the financial position for 2025/26 where the current forecast budget gap for the year exceeds the estimated level of reserves available and that the statutory override in respect of the deficit on the Dedicated Schools Grant (DGS) ends on 31 March 2026.

Recommendations

6. That the Council:
 - a) Considers and notes the assurance provided by the Section 151 Officer in respect of the robustness of the 2024/25 budget proposals.
 - b) Considers and notes the assurance provided by the Section 151 Officer on the adequacy of reserves for 2024/25.
 - c) Approves that the Level of General Reserves are maintained within the range £30m (5% of net budget) to £60m (10% of net budget).
 - d) Note the Section 151 Officers significant concerns over the 2025/26 financial year and the ability to balance the budget.
 - e) Notes that the Section 151 will provide members with regular updates concerning the council's finances and the risks of a Section 114 notice.

Reasons for recommendations

7. To ensure that the Council can set a balanced budget for 2024/25 and meet its statutory duties the Section 151 Officer of the authority must report to Council on the following matters as part of their obligations under section 25 of the Local Government Act 2003:
 - (a) the robustness of the estimates made for the purposes of the calculations, and
 - (b) the adequacy of the proposed financial reserves.
8. An authority to which a report under this section is made shall have regard to this report when making decisions about the calculations in connection with which it is made.

Other options considered

9. This report is a legal requirement.

Links to Council Plan and Medium-Term Financial Plan

10. It is important the Council considers how best it can continue to meet its policy objectives within the tighter financial constraints that it now faces. This requires a level of prioritisation, and the budget plans focus on the following key policy outcomes, as set out in the Council's vision.
 - A Healthy and Caring Somerset
 - A Flourishing and Resilient Somerset
 - A Greener, More Sustainable Somerset
 - A Fairer, Ambitious Somerset

Financial and Risk Implications

11. It is clear that the scale of financial challenges facing the Council are significant with the forecast cost of services increasing at a faster rate than the income received. There is a separate Appendix to the Budget Report setting out the Strategic Risks associated with the 2024/25 Budget proposals.
12. The financial impact of a forecast year-end overspend of £17.5m (as at month 9) in the current financial year will result in a reduction in the level of General Reserves from £49.8m to £32.3m. This remains above the £30m minimum risk-based assessment of the reserves approved by Council in February 2023.
13. The 2024/25 budget cannot be balanced without Exceptional Financial Support from DLUHC in the form of a capitalisation direction of £36.9m. A request for an additional 5% increase in Council Tax which would have generated £17.1m in 2024/25 was not approved by DLUHC. This has the impact of increasing the required capitalisation direction necessary to balance the 2024/25 budget and adversely impact upon the budget gap for 2025/26 increasing it from £86.8m to £103.9m. It also means that further asset disposals are required to generate capital receipts to fund the capitalisation direction rather than being used to fund transformation, capital schemes or reduce debt.
14. The 2024/25 Budget proposals include using £36.8m in the MTFP Support Reserve plus a further net £2m to support specific projects. There are other expected draws from reserves during the year which have been factored into the forecast and they will be reported as part of the monthly budget monitoring reports for approval from Executive. The budget report sets out that the total reserves are forecast to drop from £316.0m at 31 March 2023 to £104.9m by the end of the 2024/25 financial

year. General Reserves are forecast to be £32.3m and Earmarked Reserves to be £72.5m which include £31.3m of Other reserves, which mainly relates to other bodies for which the Council is the accountable body.

15. The deficit on the Dedicated Schools Grant is currently estimated to reach £98.2m at the end of 2025/26 when the current statutory override is due to end and would need to be offset against Council reserves.
16. The Medium-Term Financial Forecast has identified a budget gap of just under £200m over the next 5 years with costs increasing at a faster rate than income particularly in relation to Adults' and Children's social care.
17. Given the issues set out in this report and despite all of the actions taken and mitigations put in place, the risk score on Strategic Risk ORG0057 – Sustainable MTFP remains at 25 the highest risk score possible.

Likelihood	5	Impact	5	Risk Score	25
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18. It is likely that a Section 114 notice will need to be issued in respect of 2025/26 as the forecast budget gap exceeds the estimated level of reserves unless there is a significant change to the current funding regime or continued and on-going government support is provided.

Legal Implications

19. The Council is required by the Local Government Finance Act 1992 to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget to ensure proper discharge of the Council's statutory duties and to lead to a balanced budget. The budget should include sufficient allowances for contingencies and financial reserves.
20. Section 25 of the Local Government Act 2003 requires that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance (Section 151) Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence, that the financial position continues to be closely monitored.
21. Section 114 of the Local Government Finance Act 1988 outlines the duties of the chief finance officer of a relevant authority. The chief finance officer is required to make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is

likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

HR Implications

22. There are no direct human resource implications arising from this report.

Other Implications:

Equalities Implications

23. There are no direct equalities implications arising from this report.

Community Safety Implications

24. There are no direct community safety implications arising from this report.

Climate Change and Sustainability Implications

25. There are no direct climate change and sustainability implications arising from this report.

Health and Safety Implications

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

Health and Wellbeing Implications

27. There are no direct health and wellbeing implications arising from this report.

Social Value

28. There are no direct Social Value implications arising from this report.

Background

29. Under the terms of section 25 of the Local Government Act 2003, the Section 151 Officer (Chief Finance Officer) is required to report to the Council on two specific matters:

- The robustness of the estimates included in the budget, and
- The adequacy of the reserves for which the budget provides.

30. Section 26 of the same Act places an onus on the Chief Finance Officer to ensure that the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined when finalising the proposed budget.

31. Given the incredibly challenging financial position that the Council faces, it is important that all members take note of this report when considering the 2024/25 budget at the Full Council meeting on 20 February 2024.

Current Context

32. Somerset Council is a new council created on 1 April 2023 from the four District Councils and County Council. Its financial position is therefore an inherited position based upon the amalgamation of the five predecessor councils. For instance, the level of Council Tax for the new council, was limited by government and based upon the levels set by the predecessor five councils.
33. Every new unitary council has identified issues during its first year and Somerset is no different. All the predecessor councils recorded budgets in slightly different ways, and it has become apparent that there are some areas where one-off sources of funding have been used to finance on-going expenditure, some items were not properly budgeted for, longer term investments were funded from short-term borrowing and there was additional staffing employed over and above the staffing establishment budget.
34. The new council faces a very stark and challenging financial position with its cost of delivering services increasing significantly faster than the income it receives. The income the council receives comes from Council Tax, government grants, and fees and charges such as parking charges and planning fees. The council is not able to increase Council Tax in line with inflation as its increases are controlled by government through referendum limits which restrict any increase to a maximum of 2.99% and for the adult social care precept to 2%. With inflation hitting double digits and being at a 40 year high over the last year, the increases in costs at the same time as income has been restricted results in a fundamental imbalance and a very considerable budget gap between the costs of providing services and the income the council receives.
35. The most significant area of impact is on the adult social care budget where costs are increasing at a much faster rate than Council Tax and the adult social care precept. The cost pressures in the adult social care budget are driven by the soaring costs of providing care, particularly the costs of residential care placements. Traditionally the costs in Somerset have been amongst the lowest in the country providing extremely good value for the council taxpayer of Somerset. The impacts of interest rates, cost of living, Brexit, Covid, Covid jobs, and the commencement and then postponement of the national Fair Cost of Care exercise by the government, have all been detrimental to the cost of placements, particularly in Somerset.
36. The Annual Audit Report from Grant Thornton in respect of 4 of the 5 predecessor councils was considered at Audit Committee on 25 January 2024 and will be considered by Council at the budget setting meeting on 20 February 2024. It highlights a number of issues that the new council has inherited and will need to be

addressed. EY (Ernst & Young) will be producing their Annual Audit Report on Mendip DC in March 2024.

37. The Medium-Term Financial Strategy (MTFS) was approved in July 2023 and provides a strategic financial framework to help achieve financial sustainability. The financial forecast was updated and reported to the November 2023 Executive, and it set out that the estimated budget gap for 2024/25 assumed in the report to February Full Council had increased from £42m to £100m. As a result of this the Council declared a 'financial emergency' and put in place a range of local financial controls and measures to address both the current year's projected overspend and the forecast budget gap for 2024/25.
38. The recent report from the Levelling Up, Housing and Communities Committee on Financial distress in local authorities which was published on 29 January 2024 highlights the significant financial challenges faced by the sector. In its summary it says:

"It is no surprise that the financial crisis that local authorities are encountering comes after significant reductions in local authorities' spending power which has itself coincided with increasing demand for their services and inflationary pressures driving up costs. Ultimately, the levels of funding available to local authorities, through council tax, retained business rates, and government grants have not kept pace with these pressures, leading to a funding gap which is already estimated at £4 billion over the next two years."

39. It also highlights the problems with the current funding system, with the fair funding reviews promised but the anticipated reforms not materialising and now deferred into the next parliament.

"This has meant that local authorities are increasingly reliant on income from council tax to fund service delivery. However, council tax is regressive, long overdue for reform, and is contributing to a disproportionately negative impact on funding levels of local authorities in the most deprived areas of the country. Furthermore, the business rates retention scheme is increasingly misaligned with local authorities' current spending needs and the government has not delivered on its earlier commitments to review and reform the scheme. The Government must urgently reform these core funding mechanisms to ensure that the levels of demand and cost pressures faced by local authorities are adequately considered in determining their funding levels."

40. The report recognises that the current financing system for local authorities is both broken and the sector is significantly underfunded by saying:

“In the short term the Government must ensure that local authorities receive sufficient financial support to enable them to continue delivering the services that people need.”

Robustness of the 2024/25 Budget estimates

41. The 2024/25 budget estimates have been developed based upon the following key processes and assumptions:

- Base Budget - Reviewing the 2023/24 budget and removing one off items of spend and funding.
- Known Variances - Reviewing the latest 2023/24 Budget monitoring reports and identification of variances and establishing if they are one-off or on-going and therefore will impact upon 2024/25. The key variances in the Month 9 (Q3) report are:
 - Adult Services have an underlying overspend of £24.2m (13% of net service budget) which has been reduced by one off funding/grants/in year mitigations of £9.3m down to an overspend of £14.9m. This variance is mainly in the Adult Social Care and Learning Disabilities budget areas due to an increase in fee levels for both care home placements and delivery of home care. This variance is ongoing and has been taken into account when producing the 2024/25 budget estimates.
 - Children’s Services have a £15.3m net adverse variance against their budget (12.5% of the services net budget). The overall variance predominantly relates to external placements, fieldwork (support for children at home), and SEND transport budgets, whilst the unfavourable movement is due to the unachievable 2023/24 MTFP saving of step downs from residential to in-house fostering. This variance is ongoing and has been taken into account when producing the 2024/25 budget estimates.
 - Non-Service budgets have a favourable net variance of £3.5m due to one-off, in-year favourable treasury management activities, together with careful management of the Council’s cashflow, which has at times seen higher than anticipated cashflow levels. As this is one-off it doesn’t have an impact upon 2024/25,

- Funding from Government – The various government grants such as Revenue Support Grant, Rural Services Delivery Grant, and Social Care Grant, are based upon the finance settlement for 2024/25 from DLUHC.
- Business Rates – The income for business rates is based upon the January 2024 NNDR1 return which has been reviewed by LG Futures and adjusted for an assumption for appeals against the latest revaluations. The appeals provision has been reviewed by Analyse Local.
- Council Tax – Is in line with the council tax referendum principles of a 2% increase in the Adult Social Care precept and 2.99% for council tax. It uses the 2024/25 tax base calculation in the CTB1 form which had an increase of 1.52% incorporating a collection rate of 98%.
- Collection fund surpluses – Based upon latest forecast of surpluses and completed returns for council tax and business rates.
- Adults' Budget – With the significant variance in 2023/24 there has been a new, more detailed demand model developed incorporating the latest forecasts and cost modelling. This year the budget estimates have been based on granular data which takes into account actual placement data and predicted growth of such placements. In previous years we have used a % uplift on the total predicted costs at the point of setting the budget. To review and challenge these assumptions there has been a series of deep dive sessions on the Adults' budget using John Jackson (LGA national expert), PDLB Financial Consultancy Ltd and Newton Europe. A key part of the budget proposals is the £10m savings from the transformation programme "*My Life, My Future*". The programme is aimed at improving outcomes for older adults, those with learning difficulties and mental health needs by helping them stay within their own homes and encouraging independent community support. The programme is aimed at reducing costs on an ongoing basis by reducing the number of residential placements. Progress against this programme is regularly reported to Scrutiny.
- Children's Budget – Children's Services have commissioned Peopletoo to undertake a review of spend in Children's Social Care to determine a plan for better outcomes at a reduced cost from using best practice. With the significant variance in 2023/24 a new, more detailed demand model has been developed incorporating the latest forecasts and cost modelling on placements. To review and challenge these assumptions there has been a series of deep dive sessions on them using Peopletoo and PDLB Financial Consultancy Ltd. Edge Public Solution reviewed school transport operations comprising both mainstream home-to-school transport and SEND transport.

- Staff Pay – The estimates have been developed using the latest staffing establishment data with a list of funded posts for each service. An estimate of 4% for the 2024/25 national pay award has been included with the budget provision held centrally and will be allocated to the services once agreed.
- Commercial Investment Portfolio income – The Council has made the policy decision to dispose of the commercial investment portfolio and the Investment Sub Committee has been set up to oversee this. Jones Lang LaSalle (JLL) have been appointed to review the portfolio and assist with its disposal. The MTFP has therefore factored this into the budget proposals based upon the forecast by JLL. The 2023/24 budget included income of £20.6m, has been reduced to £15.0m for 2024/25 then further down to £11.7m for 2025/26 and then fully removed in 2026/27.
- Treasury Management (Financing Costs) – The 2024/25 budget is based upon the latest interest rate forecast from Arlingclose which is forecasting interest rates to slowly reduce during 2024/25 by up to 1% from the current rate of 5.25%. The amount of funds available to invest are expected to significantly drop during the years as the level of reserves reduces. Investment income budget has been reduced by £6.8m ,down from £13m to £6.2m for 2024/25. Debt financing costs are forecast to increase by £1.5m to £33.7m based upon the latest capital programme.
- Minimum Revenue Provision (MRP) Budget - a new policy for Somerset Council which reflects the latest DLUHC guidance and comments from the external auditor Grant Thornton. The MRP budget for 2024/25 has been increased by £4.7m, based upon the new policy.

42. The Budget process brings all the above required changes together in the form of Pressures. These will be applied to the current year’s base budget to ensure it is updated for 2024/25. The budget Pressures have been subject to various challenges and reviews by Executive and Service Directors, as well as Members. They have also been analysed by type, service and value.

Total Pressures by Type	2024.25 £m
Demand / Demography	28.5
Inflation (Contractual)	11.9
Inflation (General)	61.5
Policy / Financing Change	6.9
Change in Legislation	1.1
Total	109.9

Total Pressures by Directorate	2024/25 £m
Adults Services	69.6
Childrens, Families and Education	26.5
Communities Services	1.3
Climate & Place	5.3
Strategy, Workforce & Localities	0.1
Resources & Corporate Services	7.0
Total	109.9

Total Pressure Value for 2024/25	No. of Pressures	% of Pressures
Below £100k	17	29%
£100k-£249k	16	27%
£250k-£499k	10	17%
£500k-£999k	6	10%
£1m+	10	17%
Total	59	100%

43. The 2024/25 Budget proposals include a range of Savings Proposals. They have been subject to various challenges and reviews by Executive and Service Directors, as well as members. There has been a separate officer Assurance Group set up to review all of these and ensure that they the savings proposals are robust, could be delivered and the implications of them understood. They have also been analysed by type, service, and value.

Total Savings by Directorate	2024/25 £m
Already approved savings	(11.0)
New Savings	(24.0)
Total	(35.0)

Already approved Savings by Directorate	2024/25 £m
Adults Services	(5.0)
Childrens, Families and Education	(1.1)
Communities Services	(0.3)
Climate & Place	(0.2)
Resources & Corporate Services	(0.4)
Local Government Reorganisation	(4.0)
Total	(11.0)

Total Savings by Financial Strategy Type	2024/25 £m
Efficiency Savings	(10.1)
Service Levels	(4.9)
Alternative Service Delivery	(0.3)
Financing of Activities	(2.1)
Asset Management	(0.2)
Income Generation	(6.4)
Total	(24.0)

44. Out of the £24.0m of new savings £10.1m are efficiency savings so less risk in terms of delivery. £4.9m (14%) of new savings proposals are based upon changes to Service Levels which are more of a risk.

Total Savings by Directorate	2024/25 £m
Adults Services	(9.8)
Childrens, Families and Education	(9.5)
Communities Services	(3.0)
Climate & Place	(5.5)
Strategy, Workforce & Localities	(0.6)
Resources & Corporate Services	(2.6)
Local Government Reorganisation	(4.0)
Total	(35.0)

45. There are 116 total savings proposals for 2024/25 with 82% being below £250k and only 4% being above £1m.

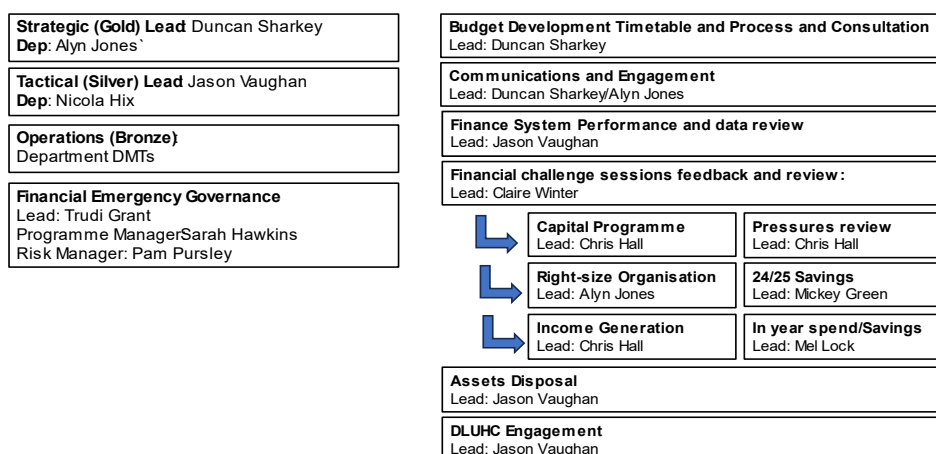
Total Saving by Value for 2024/25	Number of Savings	% of Savings
Below £100k	62	53%
£100k-£249k	34	29%
£250k-£499k	14	12%
£500k-£999k	2	2%
£1m+	4	4%
Total	116	100%

46. The estimates in the **Housing Revenue Account (HRA)** have been developed based upon:
- Capital Programme for next 10 years.
 - EPC C by 2030.
 - Net Zero Carbon by 2050.
 - Right to Buy 1-4-1 for the next 6 years.
 - Inflation at 3.25% for 2025/26, 2% thereafter.
 - Dwelling rents at 7.7% in 2024/25, CPI thereafter.
 - Rent flex for in-house only.
 - Void loss at 2%.
 - RTB sales at 55 per year.
 - Interest on new debt at 4.5% until 2025/26, 3.5% thereafter.
 - Minimum reserves at £3.722m (£385 per unit / 6.5% gross income).
 - Efficiency gains of 2% on Management and R&M from 2025/26 over 5 years.
 - Savings on corporate costs of £700k in 2025/26.
 - Increased income of £50k pa for 5 years starting 2025/26 from service charges full cost recovery review.
 - Increased capital receipts of £1.225m per year from 2024/25.
47. Altair (external housing consultant) has challenged the budgets and assumptions. Altair has also undertaken a number of scenarios and sensitivity tests to consider the impact of small changes including:
- Reducing rent loss from void properties to 1.5% from 2025/26.
 - Extending the use of rent flexibility to dwellings re-let by Homes in Sedgemoor.
 - Increasing the number of dwellings sold on the open market to 5 a year from 2025/26 to 2029/30.
 - Combining scenarios above.
 - Implementing a 5% rent increase for existing tenants in April 2024.
 - Implementing a 0% rent increase for existing tenants in April 2024.
 - National policy on rent increases returns to CPI +1% from 2025/26 to 2028/29.
 - The Council receives 20% external funding for investment in decarbonisation.
 - Interest rates increase by 1% against the baseline assumptions from 2026/27.
 - Interest rates decrease by 1% against the baseline assumptions from 2026/27.

48. In order to provide further assurance around the robustness of the budget estimates it is worth setting out some of the other processes that have been part of the budget building and assurance process for the development of the 2024/25 budget estimates: -

- Member engagement – There has been a significant amount of financial reporting during the year to the 5 Scrutiny Committees, Executive and Audit Committee. Starting in July 2023 and on a regular basis throughout the year covering the 2022/23 outturn, monthly budget monitoring and the 2024/25 budget. A summary of the reports is set out in Appendix 1.
- MTFP Board – Made up of the Executive Members, key associate members and the Executive Directors meeting monthly to oversee the budget process from June 2023.
- Financial Emergency – The Council declared a ‘**Financial Emergency**’ and has taken a number of actions to address the forecast overspend in the current year and the budget gap for 2024/25. A senior management structure, in a similar way to a major flooding incident, was established, called “Gold Command” and Senior Responsible Officers identified to lead on various workstreams.

Financial Emergency– Workstreams and SROs



- Control Board & Panels - Alongside the monthly reporting of the budget monitoring position to Scrutiny and the Executive, a number of daily and weekly control boards and panels have been established as the Council adopts an approach of operating as if a section 114 had been issued. The actions have seen the in-year forecast overspend reduce from £28.6m (Month 3) down to £17.5m (Month 9). The five boards and panels are:
 - Establishment & Recruitment Control Board - to assess all workforce requests and changes.

- Commercial & Procurement Control Board – to review and challenge all new commissions, annual uplifts in contract and contract renewals.
 - Spend Control Board – ensuring that all purchases over £100 are reviewed and challenged to avoid any non-essential spend.
 - Adult Social Care Panel – to review and challenge placements.
 - Childrens Care Panels – various panels to review and challenge placements.
- Member Briefings – Regular monthly member briefings from August 2023 with both in person and on-line options and a repeated session each month on alternative dates.
- Service Directors budget meetings – In addition to the usual meetings with their Finance Business Partners, the Service Directors have been having regular meeting as a group during the budget process to help identify savings and reduce cost pressures.
- Challenge Session – There has been a series of challenge sessions for every Service Director by their peers with a view of reducing the current service pressures and identifying new savings options using the framework set out in the financial strategy.
- Capital Programme Review – A detailed review of all the schemes in the current capital programme with the resulting beings the removal of 26 schemes totalling £56.3m. The proposed 2024/25 – 2026/27 general fund capital programme totals £238.5m and comprises externally funded schemes, those essential for health and safety purposes or to deliver future savings, with a reduced borrowing requirement of £44.5m over the three years. The capitalisation direction for 2024/25 will be fully financed from capital receipts from the disposal of the commercial investments portfolio and other assets.
- Audit Committee - Considered the section 151 officer’s letter to DLUHC in September 2023 on Somerset Councils Financial Challenges and the letter from Grant Thornton on the Financial Sustainability of the Council at their meeting 26 October 2023. The Audit Committee was not assured that arrangements were in place to address the current years forecast overspend or to close the 2024/25 budget gap. As a result, they called a special Audit Committee to consider the council’s financial sustainability on 14 December 2023.

- Scrutiny Workshop – A workshop on 31 January 2024 for all scrutiny members on the 2024/25 budget proposals.
- Budget Scrutiny Committee – A dedicated Scrutiny Committee on 2 February 2024 focused upon the draft 2024 budget proposals ahead of the Executive Committee making their budget proposals to full Council.

49. A key part of the 2024/25 budget proposals includes a Corporate Contingency. This is for £6m and is based upon 1% of the net revenue budget. It is a budget provision to mitigate against inaccurate forecasts within the budget proposals such as changes to the forecast cost of the national pay award for staff.

Exceptional Financial Support

50. Initial contact with DLUHC was made in September 2023 with a letter setting out the financial challenges that the Council faced. This was also shared with external auditors and considered by the Audit Committee at their October 2023 meeting.

51. An application has been submitted to DLUHC for a capitalisation direction and there have been a number of meetings on 6 October 2023, 7 December 2023, 21 December 2023, 23 January 2024 and 5 February 2024.

52. The letter from DLUHC 24 January 2024 is an appendix to budget reports and confirms receipt of Somerset Council's request for Exceptional Financial Support (EFS). It says:

“You have set out your assessment of your position to the Department and reported financial pressures, particularly in relation to adults and children’s social care.

I can assure you that government will continue to work closely with Council officers to find a way forward, i.e. by supporting the Council to set a balanced budget for 2024/25.”

53. Since the receipt of the letter there has been a meeting between Simon Hoare MP, Minister for Local Government, the Leader of Council, and the Chief Executive on 31 January 2024.

54. Based upon the assurances provided, we can reasonably assume that the application for a capitalisation direction will be successful. Final confirmation from DLUHC is

not expected to be received until the end of March which is after the 11 March date when the council must legally set its budget.

55. In addition to the amount required to balance the budget a capitalisation direction of £40m has been made to fund the ‘re-sizing’ of the council which is expected to deliver a significant reduction in its workforce and result in on-going savings in the region of £20m to £30m for 2025/26.

Balancing the budget

56. The table below provides a summary of the position and shows the changes from the 2023/24 budget to the 2024/25 budget including the use of one-off items to balance budget.

Changes to 2023/24 budget	£m
Reversals for once off items	19.9
Pressures	109.9
Savings	(35.0)
Changes to pay	13.8
Increase in financing costs	12.9
Increase in funding	(40.1)
Budget gap	81.4
One off items – to balance budget	
Use of Medium-Term Financial Plan Support Reserve	(36.8)
Council Tax Collection Fund surplus	(6.2)
Business Rates Collection Fund surplus	(1.5)
Remaining budget gap	36.9
Capitalisation Direction from DLUHC	(36.9)
Balanced position	0.0

57. Any estimate of the Councils £1bn+ budget proposals in respect future costs, spend and income levels will ultimately prove to be inaccurate and there will be a resulting under or over spend for the year. The assessment on the 2024/25 budget estimates is focused upon assessing if the estimates are based upon the best and latest information available, that the risks around the key figures are set out and understood and if they seem therefore to be calculated upon a reasonable and robust basis.

Adequacy of Reserves

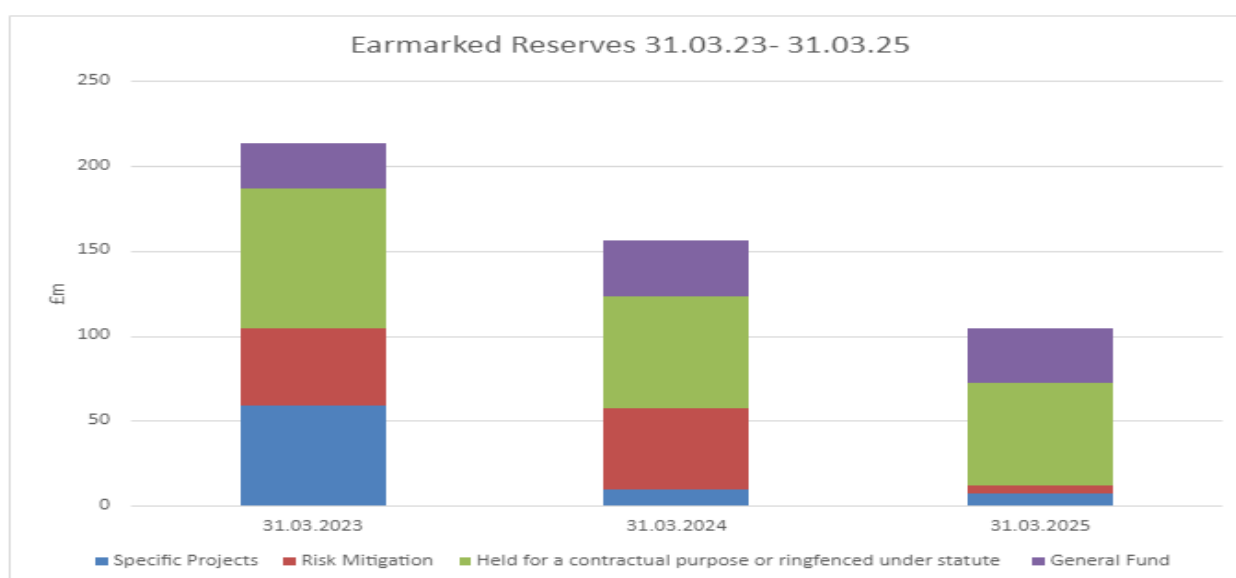
58. Being a new Council, a key part of being able to provide any assurance over levels of reserves and therefore their adequacy, is dependent upon the opening reserves position being known with certainty.
59. Somerset Council inherited the position on 1 April 2023 that there were outstanding Statement of Accounts not signed off by the external auditors relating to 2020/21 and 2021/22.
60. Completing the Statement of Accounts from the five predecessor councils for 2022/23 has been a priority for the finance team in order to provide assurance on the starting point for Somerset Council.
61. The latest position is that all outstanding external audits on the 2020/21 and 2021/22 have been completed and that 2022/23 external audits for Somerset CC, Somerset Pension Fund, Somerset West & Taunton DC and Mendip DC have all been completed. This leaves the audits for Sedgemoor DC and South Somerset DC still outstanding, but these are expected to be completed by the end of March 2024.
62. To help provide additional assurance around the opening position for Somerset Council an external Balance Sheet review by PDLB Financial Consultancy Ltd was commissioned. It compares Somerset's opening Balance Sheet position against nine comparator unitary councils. The results of this review have been considered by Audit Committee at their meeting on 25 January 2024 and informal executive on 29 January 2024. The review has not identified anything that will materially impact upon the current estimated level of reserves.
63. The new Council inherited a mixture of reserves from the five predecessor councils and a review of reserves has been undertaken to bring together similar reserves e.g. business rates, commercial property portfolio etc and to help identify reserves that could be repurposed to support the budget.
64. The on-going review of the reserves resulted in:
 - A transfer between the Earmarked Reserves to General Reserves to bring them up to £49.8m to reflect the higher risks facing the new council.
 - Repurposing of several reserves from the predecessor councils to create a MTFP Support Reserve of £36.8m which is planned to support the 2024/25 budget.
 - Setting up a Budget Delivery reserve of £2.5m to cover the costs associated with the delivery of the savings contained within the budget proposals and any delays in delivery of them.

- Setting up a Reserve for Devolution of Assets & Services – Overhead Costs of £0.6m.

65. Set out in table below is the summary of the overall position on reserves and shows the how the £316.0m in the five predecessor councils' statement of accounts on 31 March 2023 have been brought together. The adjustments column shows the £19.9m planned use of reserves agreed by Council in setting the current year's budget. The 'Other' category includes £109.0m of reserves which is the main relate to reserves held on behalf of others as part of the Council's accountable body's role.

Somerset Council Reserves (DLUHC Reporting Categories)	31 March 2023 £m	Adjust -ments £m	01 April 2023 £m	Fore- cast Use £m	31 March 2024 £m	Fore- cast Use £m	31 March 2025 £m
Contractual commitments	14.8	(1.1)	13.7	(0.4)	13.2	(0.1)	13.1
Planned future revenue & capital spending	50.9	(18.9)	32.1	(15.5)	16.6	(3.9)	12.7
Specific risks	24.7	(7.2)	17.6	(2.9)	14.6	(3.7)	11.0
Budget stabilisation	52.3	(10.1)	42.2	1.0	43.2	(39.4)	3.9
Public Health	4.1	(1.7)	2.4	0.0	2.4	(1.8)	0.6
Other	142.4	(4.0)	138.3	(100.2)	38.1	(6.9)	31.3
Total Earmarked Reserves	289.2	(43.0)	246.3	(118.0)	128.2	(55.7)	72.5
General Fund Reserves	26.8	23.1	49.8	(17.5)	32.3	0.0	32.3
Total Reserves	316.0	(19.9)	296.1	(135.5)	160.6	(55.7)	104.9

66. The graph below shows the forecast reduction in reserves from the start of the financial year to end the of 2024/25 financial year.



67. The risk-based level of General Reserves was set by Council in February 2023 as being between £30m (5%) and £50m (10%). It is recommended that this range is increased for 2024/25 to between £30m and £60m which represents 5% and 10% of the net budget.
68. General fund reserves are currently £49.8m and based upon the Month 9 forecast overspend of £17.5m would be reduced down £32.3m. This remains above the £30m risk based minimum level approved by Council.
69. The government extended the Dedicated Schools Grant (DSG) statutory override up to 31 March 2026. DfE guidance states that "...DSG is a ring-fenced specific grant separate from the general funding of local authorities, and that any deficit an authority may have on its DSG account is expected to be carried forward to the next year's schools' budget and does not require to be covered by the authority's general reserves."
70. This means that the DSG deficit is separated from the wider reserves and based upon the statutory override the size of DSG deficit is not considered when making the assessment on the adequacy of reserves for 2024/25.
71. Based upon the forecast level of General Reserves remaining above the risk-based assessment and the projected level of Earmarked Reserves, I am able to provide assurance to members that the level of reserves is adequate for 2024/25.

Financial Resilience

72. CIPFA have developed a Financial Resilience Index which is a comparative analytical tool that is intended to be used by Section 151 Officers to support good financial management. The index shows a council's position on a range of measures associated with financial risk highlighting where additional scrutiny may be required. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA, public consultation and technical stakeholder engagement.
73. Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy, in particular in preparing their statements of the robustness of the budget and the adequacy of reserves.
74. The data for the resilience index is obtained from the Revenue Expenditure and Financing England Outturn Report 2022-23 ("RO Forms") and reflects figures submitted by Local Authorities to DLUHC as at 31 March 2023.

75. While recognising some limitations in the returns (e.g. reflecting the previous financial year) they provide a consistent and transparent starting place for a discussion on financial resilience that can be tracked over time.
76. However, being a new council from April 2023 means that there is no data available for the new council. This is also true of the DLUHC Office for Local Government (Oflog) website.
77. To help deal with this a separate balance sheet review, comparing the Council to statistical neighbours was undertaken and the results presented to the Audit Committee on 25 January 2024. It did not highlight any significant areas of concern.

Section 114 Notice

78. In dealing with financial challenges the Executive declared a 'Financial Emergency' at their meeting on 8 November 2023 and agreed a number of actions to help address the financial situation facing the new council. The approach adopted has been based upon avoiding issuing a Section 114 Notice by taking all the actions that Commissioners would take.
79. Under section 114(2) of the Local Government Finance Act 1988, the section 151 officer has a duty to make a report when it appears to them that the Council has made or is about to make a decision incurring unlawful expenditure, or has taken or is about to take a course of action which "if pursued to its conclusion" would be unlawful and is likely to cause a loss or is about to enter an unlawful item of account. Under section 114(3), the section 151 officer has a duty to make a report when it appears to them that the expenditure the Council has incurred or proposes to incur in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure (note: this report is the one commonly referred to as a Section 114 "notice"). A Section 114 report must be sent to the auditor and every Member and Section 115 then requires the Council to hold a meeting within 21 days to decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it.
80. There is no need to issue a Section 114 notice in respect of the current financial year given the latest forecast overspend of £17.5m and that there are sufficient General Reserves to cover this and still remain above the minimum level of £30m.
81. In respect of setting the 2024/25 budget the remaining budget gap, after applying one-off sources of funding, is £36.9m. Given the relatively low level of reserves, in December 2023, full Council approved applying to DLUHC for Exceptional Financial Support and requesting a capitalisation direction to close the remaining gap. The meeting and letter on 24 January 2024 from DLUHC provide assurance that a

capitalisation direction will be provided during March 2024 to enable the budget gap to be closed and enable reserves to be maintained an adequate level for the year.

82. There are significant concerns about the 2025/26 financial year. The high level MTFP forecast shows that if further substantial savings or additional income received then the Budget gap for 2025/26 would be £103.9m as set in the table below.

High Level MTFP Forecast	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Budget Gap from previous year	0.0	36.9	103.9	147.8	169.9
Budget Gap for year	36.9	67.0	43.9	22.1	28.6
Capitalisation Direction	(36.9)				
Budget Gap	0.0	103.9	147.8	169.9	198.5

83. Dedicated Schools Grant (DSG) deficit is currently forecast to increase to £96.2m by the end of the 2025/26 financial Year when the current statutory override is due to end.

Actual, current forecast and projected DSG deficits	31 March 2023	31 March 2024	31 March 2025	31 March 2026
	Actual	Forecast	Projected	Projected
	£m	£m	£m	£m
Dedicated Schools Grant deficit	20.7	38.1	61.5	96.2

84. Within the 'Other' category of the Reserves are funds held on behalf of other bodies. The table below removes them and only includes those which directly relate to the Council. The table has been extended to include the DSG deficit to give the true underlying picture. It shows that by end of the 2025/26 it is forecast that the Councils overall reserves will become fully exhausted and turn negative unless further savings and additional funding is forthcoming.

Total Reserves	01/04/2023	Forecast 31/03/2024	Forecast 31/03/2025	Forecast 31/03/2026
	£m	£m	£m	£m
General Reserves	49.8	32.3	32.3	32.3
Earmarked Reserves (excluding those held on behalf of other bodies)	114.4	94.8	44.3	42.6

Total Reserves	164.2	127.1	76.6	74.9
Dedicated Schools Grant (DSG) Deficit	(20.7)	(38.1)	(65.5)	(96.2)
Total Reserves after DSG Deficit	143.5	89.0	11.1	(21.3)

85. With a forecast budget gap of £103.9m and significantly reduced reserves, there is a likelihood of a Section 114 notice being required. The simple table below shows the that the forecast budget gap is projected to be more than the reserves available. The situation is even worse in 2026/27 when the statutory override for the DSG deficit ends.

Financial Overview	2024/25	2025/26	2026/27
	£m	£m	£m
Total Reserves	76.6	74.9	73.4
Dedicated Schools Grant (DSG) Deficit			(96.2)
Budget Gap (excluding Capitalisation Direction)	(36.9)	(103.9)	(147.8)
Reserves less Budget Gap	39.7	(29.0)	(170.6)

86. The Council will need to make new and significant savings but given the scale of the challenge these alone are unlikely to be sufficient to close the budget gap. It is likely therefore that the Council will be dependent upon changes to the current funding regime for local government or further and on-going support from government.

Conclusion

87. Despite being a new council and in existence for less than one year, the Council's financial position is extremely challenging and is forecast to deteriorate in future years.

88. The significant work carried out in developing the 2024/25 budget proposals outlined above, means **that I can provide Members with the required assurance that the 2024/25 budget estimates are robust.**

89. In respect of the adequacy of reserves, **I can provide the required assurance that they are adequate for 2024/25.**
90. I have to highlight to Members my high level of concern around future years and the financial sustainability of the Council. Based upon the current forecasts there is a **likelihood that a Section 114 notice will need to be issued in respect of 2025/26 unless there are significant changes to current forecasts.**
91. The Council will need to make new and significant savings but given the scale of the challenge it will also be dependent upon changes to the current funding regime for local government or further and on-going support from government. The recent report from the House of Commons Levelling Up, Housing and Communities Committee on the 'Financial distress in local authorities' highlights the sector wide issues and concerns that urgently need to be addressed.

Background Papers

92. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council 22 February 2023.
93. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023.
94. Month 3 to Month 9 Monthly Budget Monitoring reports to Executive & Corporate & Resources Scrutiny Committee (August 2023 to February 2024).
95. Somerset Council – Financial Sustainability report to 26 October 2023 Audit Committee including the Section 151 Officer's letter to DLUHC and External Auditor letter on Somerset Council Financial Sustainability.
96. Financial Strategy Update report to 09 November 2023 Corporate & Resources Scrutiny and 08 November 2023 Executive.
97. 2024/25 General Fund Revenue & Capital Programme update to 05 December 2023, Corporate & Resources Scrutiny Committee, 06 December 2023 Executive and 20 December 2023 full Council.
98. Special Audit Committee – 14 December 2023.
99. 2024/25 General Fund Revenue Budget Update to Executive 15 January 2024.

100. Slides for Scrutiny Workshop 31 January 2024.
101. 2024/25 General Fund Revenue Budget report to Corporate & Resources Scrutiny 2 February 2024.
102. 2024/25 Housing Revenue Account (HRA) Revenue and Capital Budget Setting 2024/25 including Dwelling Rent Setting and Fees and Charges for 2024/25, MTFP and 30-Year Business Plan Update report to Corporate & Resources Scrutiny 2 February 2024.
103. 2024/25 General Fund Capital Budget report to Corporate & Resources Scrutiny 2 February 2024.
104. Annual Audit Report from Grant Thornton – Audit Committee 25 January 2024.
105. Letter to DLUHC 26 September 2023, Application to DLUHC for a capitalisation direction and meetings on 6 October 2023, 7 December 2023, 21 December 2023, 23 January 2024, 31 January 2024 and 5 February 2024.
106. Letter from DLUHC 24 January 2024 - confirm receipt of Somerset Council's request for Exceptional Financial Support (EFS), including the request for additional council tax flexibilities.
107. Housing Revenue Account (HRA) Revenue and Capital Budget Setting 2024/25 including Dwelling Rent Setting and Fees and Charges for 2024/25, MTFP and 30-Year Business Plan Update to Executive 7 February 2024.
108. 2024/25 General Fund Capital Budget to Executive 7 February 2024.
109. 2024/25 General Fund Revenue Budget & Medium-Term Financial Plan Report to Executive 7 February 2024.

Appendices




Appendix 1 – Summary of key financial reports to Committees

Report Sign-Off


	Officer Name	Date Completed
Legal & Governance Implications	David Clark	07/02/2024
Communications	Peter Elliott	07/02/2024
Finance & Procurement	Nicola Hix	07/02/2024
Workforce	Dawn Bettridge	07/02/2024
Asset Management	Oliver Woodhams	07/02/2024
Executive Director / Senior Manager	Jason Vaughan	07/02/2024
Strategy & Performance	Sara Cretney	07/02/2024
Executive Lead Member	Cllr Liz Leyshon	07/02/2024
Consulted:		
Local Division Members	All	
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	Report sent 05/02/2024
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	Report sent 05/02/2024

APPENDIX 1

SUMMARY OF KEY FINANCIAL REPORTS

Scrutiny Committee – Adults	
April 2023	
May 2023	
June 2023	
July 2023	
August 2023	<p><u>Adult Social Care - Budget Report</u>  PDF 131 KB</p> <p>To discuss and consider the report. – Outturn Report</p>
September 2023	<p><u>Adults Social Care Budget Report</u>  PDF 233 KB</p> <p>Additional documents: Month 3</p> <p>Adults Scrutiny Sept 23 , item 25.  PDF 488 KB</p>
October 2023	<p><u>Adult Social Care Performance Report, Budget Report and Winter Planning</u>  PDF 107 KB</p> <p>To receive the report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • ASC Performance Slides Scrutiny Oct 2023 FINAL , item 32.  PDF 863 KB • Adults & Health Scrutiny Budget Monitoring Month 5 , item 32.  PDF 129 KB • Adults Scrutiny Budget Oct 23 , item 32.  PDF 391 KB
November 2023	
December 2023	<p><u>Adult Social Care Budget Monitoring Month 5</u>  PDF 280 KB</p> <ul style="list-style-type: none"> • View the background to item 41. • View the decision for item 41. <p>To consider the report.</p> <p>Additional documents:</p> <p>Adults Scrutiny Budget Monitoring Dec 23 , item 41.  PDF 598 KB</p>
January 2024	
February 2024	<p><u>23/24 Budget Monitoring Report Month 9</u>  PDF 234 KB To consider the report.</p> <p>Additional documents:</p> <p>Adults Scrutiny Feb 24 , item 8.  PDF 436 KB</p>

Scrutiny Committee – Children & Families

April 2023	
May 2023	
June 2023	
July 2023	<p><u>22/23 Budget outturn position and 23/24 Emerging issues</u>  PDF 537 KB</p>
August 2023	
September 2023	<p><u>2023/24 Children's Services - Budget Monitoring Month 4</u>  PDF 688 KB</p>
October 2023	
November 2023	<p>2023/24 Children's Services - Budget Monitoring</p> <ul style="list-style-type: none"> • View the background to item 7a • View the decision for item 7a <p><u>Education Finance - consultation</u>  PDF 628 KB</p> <ul style="list-style-type: none"> • View the background to item 8. • View the decision for item 8.
December 2023	<p><u>2023/24 Children's Services - Budget Monitoring</u>  PDF 1 MB</p> <ul style="list-style-type: none"> • View the background to item 6. • View the decision for item 6.
January 2024	<p><u>2023/24 Children's Services - Budget Monitoring</u>  PDF 944 KB</p> <ul style="list-style-type: none"> • View the background to item 8. • View the decision for item 8.
February 2024	

Scrutiny Committee – Climate & Place

April 2023	
May 2023	
June 2023	
July 2023	
August 2023	
September 2023	<u>Budget Monitoring Update</u>  PDF 409 KB Month 4
October 2023	
November 2023	
December 2023	<u>Climate & Place Budget Monitoring Position Month 5</u>  PDF 274 KB
January 2024	
February 2024	

Scrutiny Committee – Communities

April 2023	
May 2023	
June 2023	
July 2023	
August 2023	
September 2023	
October 2023	<p><u>Budget monitoring update - Community Services</u>  PDF 217 KB</p> <p>To consider and comment on a month 5 Budget Monitoring update for Community Services, from the Strategic Manager Finance Business Partnering, Somerset Council.</p>
November 2023	
December 2023	<p><u>2023-24 HRA Revenue & Capital Budget Monitoring Report - Month 6 (Qtr2)</u>  PDF 471 KB</p> <p>To consider the report.</p>
January 2024	
February 2024	<p><u>Community Services Budget Monitoring Update</u> PDF 344 KB</p> <p>To consider the report and presentation.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • Community Services Scrutiny Month 9 , item 6  PDF 1 MB

Scrutiny Committee – Resources & Corporate Services

April 2023	
May 2023	
June 2023	
July 2023	<p>Medium Term Financial Strategy 2024/25 to 2026/27 PDF 492 KB</p>
August 2023	<p>Budget Monitoring Report Quarter 1 PDF 73 KB</p> <p>To receive the Budget Monitoring Report for Month 3 (Quarter 1) 2023-2024 for the General Fund and Housing Revenue Accounts.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • 2023-24 GF Budget Monitoring Executive Report - Month 3 (Qtr1) , item 21 PDF 758 KB • 2023-24 HRA Revenue Capital Budget Monitoring Report - Month 3 (Qtr1) , item 21 PDF 179 KB
7 th September 2023	<ul style="list-style-type: none"> • Budget Update presentation PDF 553 KB • Property Rationalisation Presentation PDF 2 MB • Updated Consolidated Outturn 2022-2023 - version to be used at meeting PDF 323 KB <p>Draft Assets Disposal Policy - Agenda Item 5 PDF 364 KB</p> <p>To receive a presentation and to note the accompanying draft policy on the Corporate Assets Disposals Policy.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • Draft Assets Disposals Policy-v3 , item 27 PDF 408 KB <p>Budget Update - Agenda Item 8 PDF 435 KB</p> <p>Consolidated 2022/2023 Outturn - Agenda Item 9 PDF 232 KB</p> <p>To consider a report going to the Executive detailing the consolidated 2022/2023 Outturn position.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • Appendix 1 SCC Outturn Report , item 31 PDF 971 KB • Appendix 1a - SCC Reserves , item 31 PDF 80 KB • Appendix 1b SCC Capital Outturn Table , item 31 PDF 68 KB
7 th September Cont'd	

<p style="text-align: center;">29th September 2023</p>	<ul style="list-style-type: none"> • Appendix 2 MDC Outturn Report , item 31. PDF 96 KB • appendix 2a - Mendip Reserves , item 31. PDF 65 KB • There are a further 13 documents.View the full list of documents for item 31. <p><u>Commercial Investment Update - Agenda Item 4</u> PDF 280 KB</p> <ul style="list-style-type: none"> • View the background to item 36. • View the decision for item 36. <p>Additional documents:</p> <ul style="list-style-type: none"> • Restricted enclosure 5 View the reasons why document 36./2 is restricted
<p style="text-align: center;">October 2023</p>	
<p style="text-align: center;">November 2023</p>	<p><u>2023/24 Budget Monitoring Report - Month 5</u> PDF 1 MB</p> <p>To receive an update report for Budget 2023/24 Month 5 – to the end of August 2023.</p> <p><u>Financial Strategy Update</u> PDF 268 KB</p> <p>To receive an update on the Financial Strategy</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • Appendix 1 Letter to DLUHC , item 44. PDF 232 KB • Appendix 2 Letter to CE , item 44. PDF 160 KB • Appendix 3 17 Key Areas , item 44. PDF 115 KB • 2024/25 General Fund Revenue Budget & Capital Programme update PDF 705 KB • 2024/25 General Fund Revenue Budget & Capital Programme update - Appendix 1 PDF 198 KB
<p style="text-align: center;">December 2023</p> <p style="text-align: center;">December 2023 Cont'd</p>	<p><u>2023/24 Budget Monitoring Report - Month 6 - End of September 2023</u> PDF 167 KB</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • M6 Appendix 01 - Adult Services , item 49. PDF 132 KB • M6 Appendix 02 - Children, Families & Education Services , item 49. PDF 338 KB • M6 Appendix 03 - Community Services , item 49. PDF 90 KB • M6 Appendix 04 - Climate & Place (incl Accountable Bodies) , item 49. PDF 160 KB • M6 Appendix 05 - Strategy, Workforce and Localities , item 49. PDF 94 KB • There are a further 5 documents.View the full list of documents for item 49.

- [Finance System Scrutiny Committee 4-1-24 , item 61.](#)

[PDF 657 KB](#)

Commercial Asset and Realisation Task and Finish Group Report [PDF 71 KB](#)

Scrutiny Corporate and Resources Forward Plan [PDF 53 KB](#)

- [Supplement 2 - Agenda Item 6 - Budget Proposals Slides](#) [PDF 2 MB](#)

February 2024

2024/25 General Fund Revenue Budget, HRA Revenue Budget and Capital Budgets [PDF 87 KB](#)

To consider the 2024/25 Budget Proposals and provide feedback to the Executive for consideration. The following documents are attached:

Scrutiny of the 2024/25 Budget – pages 19 – 23.

Paper A - 2024/25 General Fund Revenue Budget – pages 25 - 63. This report has the following Appendices:

- Appendix 1: Strategic Risks associated with the budget – pages 65 - 67
- Appendix 2: MTFP Forecast – pages 69 - 70
- Appendix 3: Provisional Finance Settlement – pages 71 - 72
- Appendix 4: Changes to budget 2023/24-2024/25 – pages 73 - 76
- Appendix 5: Council Tax trends – page 77
- Appendix 6: Detailed list of savings proposals – pages 79 - 91
- Appendix 7: Detailed list of pressures – pages 93 - 98
- Appendix 8: Full & part reversals of prior year savings – page 99
- Appendix 9: Dedicated Schools Grant 2024/25 – pages 101 - 105
- Appendix 10: Summary of findings from the budget consultation exercise – pages 107 - 135
- Appendix 11: Reserves – pages 137 – 141

February 2024 Cont'd

To view all the supporting documents, including the savings proposals, the Cumulative Impact Assessment and the relevant Equality Impact Assessment forms, please access the web library by using this link – [Supporting Documents](#)

Paper B – Housing Revenue Account (HRA) Revenue and Capital Budget Setting 2024/25 including Dwelling Rent Setting and Fees and Charges for 2024/25, MTFP and 30-






Year Business Plan Update' – pages 143 – 194. This report has the following Appendices:

- Appendix A - Revenue Budget and Medium Term Financial Plan for 2024/25 – page 195
- Appendix B - Proposed Fees and Charges for Homes In Sedgemoor for 2024/25 – pages 197 - 198
- Appendix C - Proposed Fees and Charges for the In-House Service for 2024/25 – pages 199 - 209
- Appendix D - HRA MTFP 10-Year Capital Programme – pages 211 - 212
- Appendix E - HRA Proposed Capital Budgets for 2024/25 and Capital Financing per Scheme – pages 213 - 216
- Appendix F – EIA form – pages 217 - 224














Paper C - 2024/25 General Fund Capital Budget – pages 225 – 236. This report has the following Appendices:













- Appendix A: Removed schemes from Capital Programme 2023/24 – pages 237 - 238
- Appendix B: Capital Programme 2024/25 to 2026/27 – pages 239 - 243
- Appendix C: New Bids for 2024/25 – pages 245 - 247

Additional documents:

- [Paper A - 2024-25 General Fund Revenue Budget , item 6.](#)  PDF 384 KB
- [Appendix 1 - Strategic Risks Associated with the Budget , item 6.](#)  PDF 97 KB
- [Appendix 2 - MTFP Forecast , item 6.](#)  PDF 89 KB
- [Appendix 3 - Provisional Finance Settlement , item 6.](#)  PDF 101 KB
- [Appendix 4- Changes to Budgets 2023-24 to 2024-25 , item 6.](#)  PDF 117 KB
- There are a further 20 documents. [View the full list of documents for item 6.](#)










Audit Committee

April 2023	<p><u>Proposed 2023-24 Internal Audit Plan and Internal Audit Charter</u>  PDF 1 MB</p> <p>Independent Member appointment</p> <p><u>Fraud Policies</u>  PDF 66 KB</p> <p>As part of the Somerset Council's Constitution and controls and standards the Council's Audit Committee has responsibility for Policies.</p>
May 2023	
June 2023	<p><u>Strategic Risk Review Report</u>  PDF 375 KB</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • Item 09a - Strategic Risk Review , item 20.  PDF 254 KB • Item 09b - Strategic Risk Review - CLT Presentation Apr 2023 - Appendix b , item 20.  PDF 233 KB • Item 09c - Strategic Risk Review - Risk Management Workplan 2023-2024 - Appendix c , item 20.  PDF 59 KB
July 2023	
August 2023	
September 2023	<p><u>Strategic Risk Management Update</u>  PDF 96 KB</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • Strategic risks - 28-9-23 , item 35.  PDF 406 KB
October 2023	<p>To confirm the appointment of a new Independent Member of the Audit Committee</p> <p><u>External Audit Report on Value for Money letter to Somerset Council on 2023/24 Financial Stability</u>  PDF 91 KB</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • 6b Financial Challenges Report Sept23 , item 43.  PDF 232 KB • 6c Somerset Council Letter October 2023 , item 43.  PDF 160 KB <p><u>Strategic Risk Management Update Report</u>  PDF 360 KB</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • 11b Strategic Risk Management Update Report , item 48.  PDF 252 KB

<p>November 2023</p>	
<p>December 2023</p>	<p><u>Financial Emergency Assurance Update</u>  PDF 2 MB</p> <ul style="list-style-type: none"> • View the background to item 56. • View the decision for item 56. <p>Additional documents:</p> <ul style="list-style-type: none"> • Somerset Council Assurance Update for Audit Committee 14 Dec 23 , item 56.  PDF 2 MB • Somerset Council Financial Emergency , item 56.  PDF 829 KB <p><u>2023/24 General Fund Revenue Budget Monitoring Report - Month 6 Q2</u>  PDF 199 KB</p> <ul style="list-style-type: none"> • View the background to item 53. • View the decision for item 53. <p>To consider the report</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • 2023-24 GF Budget Monitoring Executive Report Q2 - Month 6 , item 53.  PDF 1 MB • M6 Appendix 01 - Adult Services , item 53.  PDF 132 KB • M6 Appendix 02 - Children, Families & Education Services , item 53.  PDF 338 KB • M6 Appendix 03 - Community Services , item 53.  PDF 90 KB • M6 Appendix 04 - Climate & Place (incl Accountable Bodies) , item 53.  PDF 160 KB • There are a further 6 documents. View the full list of documents for item 53.
<p>December 2023 Cont'd</p>	<p><u>2024/25 General Fund Revenue Budget & Capital Programme update</u>  PDF 225 KB</p> <ul style="list-style-type: none"> • View the background to item 54. • View the decision for item 54. <p>To consider the report</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • 2024-25 Budget update - 6 Dec 2023 (1) , item 54.  PDF 616 KB • Appendix 1 202425 General Fund Revenue Budget & Capital Programme , item 54.  PDF 73 KB • Appendix 1 - Part 2 - Reserves Analysis 2023-24 Somerset Council (Amalgamation) , item 54.  PDF 77 KB

<p>January 2024</p>	<p><u>Medium Term Financial Reports 2024/25 - Capital Strategy 2024/25</u> PDF 6 MB</p> <p><u>Medium Term Financial Reports 2024/25 - Treasury Management Strategy 2024/25</u> PDF 498 KB</p> <p><u>Medium Term Financial Reports 2024/25 - Flexible use of Capital Receipts 2024/25</u> PDF 328 KB</p> <p>Additional documents:</p> <p><u>Assurance Reports - Financial Emergency Governance</u> PDF 799 KB</p> <p>To consider the report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • <u>Appendix 1 Presentation - Somerset Council's Finance Emergency Governance Arrangements , item 6a</u> PDF 759 KB
<p>February 2024</p>	

Executive

April 2023	
May 2023	
June 2023	
July 2023	<p><u>Medium Term Financial Strategy 2024/25 to 2026/27</u>  PDF 4 MB</p> <ul style="list-style-type: none">• View the background to item 20.• View the decision for item 20.
August 2023	<p><u>UPDATE - the Outturn Position across all Legacy Somerset Authorities for 2022/23</u>  PDF 973 KB</p> <ul style="list-style-type: none">• View the background to item 29.• View the decision for item 29.
September 2023	<p><u>Somerset Council - Consolidated 2022/23 Outturn Report</u>  PDF 2 MB</p> <ul style="list-style-type: none">• View the background to item 37.• View the decision for item 37. <p>To consider the report.</p> <p>Additional documents:</p> <ul style="list-style-type: none">• Appendix 1a - SCC Reserves , item 37.  PDF 27 KB• Appendix 1b SCC Capital Outturn Table , item 37.  PDF 52 KB• Appendix 2 MDC Outturn Report , item 37.  PDF 253 KB• Appendix 2a - Mendip Reserves , item 37.  PDF 61 KB• Appendix 2b Mendip DC Capital Outturn Table , item 37.  PDF 148 KB• There are a further 15 documents. View the full list of documents for item 37. <p><u>2023/24 Budget Monitoring Report – Month 3 – End of June 2023 & Month 4 update</u>  PDF 8 MB</p> <ul style="list-style-type: none">• View the background to item 38.• View the decision for item 38. <p>To consider the report.</p> <p>Additional documents:</p>

<p>September 2023 Cont'd</p>	<ul style="list-style-type: none"> • Appendix 1 Update on Month 3 Budget Monitoring Report with Month 4 (end of July 2023) , item 38. PDF 548 KB <p>Quarter 1 - Performance report PDF 1 MB</p> <ul style="list-style-type: none"> • View the background to item 39. • View the decision for item 39. <p>To consider the report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • Appendix A Performance Report , item 39. PDF 4 MB
<p>October 2023</p>	<p>Treasury Management Outturn Report PDF 116 KB</p> <ul style="list-style-type: none"> • View the background to item 45. • View the decision for item 45. <p>To consider the report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • Appendix 1 SCC 2022-23 TM Outturn Report Final , item 45. PDF 448 KB • Appendix 2 Mendip DC TM-Outturn-Report-2022-23 , item 45. PDF 278 KB • Appendix 3 SDC TM Outturn report 2022-23 , item 45. PDF 208 KB • Appendix 4 SWT Treasury Management Outturn Report 22-23 , item 45. PDF 211 KB • Appendix 5 SSDC Treasury Management Performance 2022-23 , item 45. PDF 381 KB <p>2023/24 Housing Revenue Account Report Q1 PDF 3 MB</p> <ul style="list-style-type: none"> • View the background to item 46. • View the decision for item 46. <p>To consider the report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • General Exception Notice 26.9.23 , item 46. PDF 208 KB
<p>November 2023</p> <p>November 2023 Cont'd</p>	<p>General Fund Revenue Budget Monitoring Report - Month 5 PDF 1 MB</p> <ul style="list-style-type: none"> • View the background to item 61. • View the decision for item 61. <p>Financial Strategy Update PDF 607 KB</p> <ul style="list-style-type: none"> • View the background to item 62. • View the decision for item 62. <p>To consider the report.</p>

Additional documents:

- [Appendix 1 Letter to DLUHC , item 62.](#) PDF 232 KB
- [Appendix 2 Letter to CE , item 62.](#) PDF 160 KB
- [Appendix 3 17 Key Areas , item 62.](#) PDF 115 KB

Policy for the Disposal of Assets PDF 202 KB

- [View the background to item 64.](#)
- [View the decision for item 64.](#)

To consider the report.

Additional documents:

- [Appendix A - Disposal of Assets Process Map , item 64.](#) PDF 216 KB
- [Appendix B - Disposal of Assets Process Map - Small Sites , item 64.](#) PDF 73 KB
- [Policy for the Disposal of Assets , item 64.](#) PDF 2 MB
- [Supplement 4 - Key Decision report - Policy for the Disposal of Assets - Updated recommendation , item 64.](#) PDF 132 KB
- [Supplement 4 - Policy for the Disposals of Assets - update 7.11.23 , item 64.](#) PDF 2 MB

December 2023

- [Supplement 1 - agenda item 11 - 2024/25 General Fund Revenue Budget & Capital Programme update - Appendix 1](#) PDF 208 KB

2023/24 General Fund Revenue Budget Monitoring Report - Month 6 Q2 PDF 1 MB













- [View the background to item 74.](#)
- [View the decision for item 74.](#)

To consider this report.

Additional documents:

- [M6 Appendix 01 - Adult Services , item 74.](#) PDF 132 KB
- [M6 Appendix 02 - Children, Families & Education Services , item 74.](#) PDF 338 KB
- [M6 Appendix 03 - Community Services , item 74.](#) PDF 90 KB
- [M6 Appendix 04 - Climate & Place \(incl Accountable Bodies\) , item 74.](#) PDF 160 KB
- [M6 Appendix 05 - Strategy, Workforce and Localities , item 74.](#) PDF 94 KB

December 2023 Cont'd







	<ul style="list-style-type: none"> • There are a further 5 documents. View the full list of documents for item 74. <p><u>2023/24 General Fund Capital Budget Monitoring Report - Month 6 Q2</u>  PDF 2 MB</p> <ul style="list-style-type: none"> • View the background to item 75. • View the decision for item 75. <p>To consider this report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • Appendix B 2023-24 GF Capital Budget Monitoring Executive Report - Month 6 (Qtr2) , item 75.  PDF 279 KB <p><u>2023/24 Housing Revenue Account Capital and Revenue Budget Monitoring Report Q2</u>  PDF 4 MB</p> <ul style="list-style-type: none"> • View the background to item 76. • View the decision for item 76. <p><u>2024/25 General Fund Revenue Budget & Capital Programme update</u>  PDF 520 KB</p> <ul style="list-style-type: none"> • View the background to item 79. • View the decision for item 79. <p>To consider this report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • Somerset Council Reserves (Amalgamation) , item 79.  PDF 73 KB
<p>January 2024</p>	<p><u>2023/24 General Fund Budget Monitoring Report - Month 7 - End of October 2023</u>  PDF 2 MB</p> <ul style="list-style-type: none"> • View the background to item 91. • View the decision for item 91. <p>To consider the report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • M7 Appendix 01 - Adult Services , item 91.  PDF 616 KB • M7 Appendix 02 - Children, Families & Education Services , item 91.  PDF 3 MB • M7 Appendix 03 - Community Services , item 91.  PDF 347 KB • M7 Appendix 04 - Climate & Place (incl Accountable Bodies) , item 91.  PDF 1 MB • M7 Appendix 05 - Strategy, Workforce and Localities , item 91.  PDF 228 KB • There are a further 3 documents. View the full list of documents for item 91.
<p>January 2024 Cont'd</p>	<p><u>2024/25 Budget and Somerset Council Vision update</u>  PDF 355 KB</p> <ul style="list-style-type: none"> • View the background to item 92. • View the decision for item 92.

	<p>To consider the report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • Appendix 1 - Strategic Risks Associated with the Budget , item 92. PDF 97 KB • Appendix 2 - MTFP Forecast , item 92. PDF 89 KB • Appendix 3 - Provisional Finance Settlement , item 92. PDF 101 KB • Appendix 4 - Changes to Budgets 2023-24 to 2024-25 , item 92. PDF 117 KB • Appendix 5 - Council Tax Trends , item 92. PDF 93 KB • There are a further 5 documents. View the full list of documents for item 92.
<p>February 2024</p>	<p><u>2023/24 Budget Monitoring Report - Month 9 - End of December 2023 Q3</u> PDF 2 MB</p> <p>To consider the report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • M9 Appendix 01 - Adult Services , item 6. PDF 156 KB • M9 Appendix 02 - Children, Families & Education Services , item 6. PDF 499 KB • M9 Appendix 03 - Community Services , item 6. PDF 117 KB • M9 Appendix 04 - Climate & Place (incl Accountable Bodies) , item 6. PDF 203 KB • M9 Appendix 05 - Strategy, Workforce and Localities , item 6. PDF 104 KB • There are a further 5 documents. View the full list of documents for item 6. <p><u>2023/24 Capital Budget Monitoring Report - Q3</u> PDF 2 MB</p> <ul style="list-style-type: none"> • View the background to item 7. <p>To consider the report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • 2023-24 GF Capital Budget Monitoring Executive Report - Month 9 (Qtr3) Appendix B , item 7. PDF 181 KB
<p>February 2024 Cont'd</p>	<p><u>2023/24 Housing Revenue Account Capital and Revenue Budget Monitoring Report Q3</u> PDF 5 MB</p> <ul style="list-style-type: none"> • View the background to item 8. <p>To consider the report.</p> <p>Additional documents:</p> <ul style="list-style-type: none"> • General Exception Notice 30.1.24 , item 8. PDF 227 KB

2024/25 HRA Budget setting report  PDF 582 KB

- [View the background to item 9.](#)

Additional documents:

- [Appendix A - HRA Revenue Budget and Medium Term Financial Plan for 2024-25 , item 9.](#)  PDF 74 KB
- [Appendix B - Proposed Fees and Charges for Homes In Sedgemoor in 2024-25 , item 9.](#)  PDF 90 KB
- [Appendix C - Proposed Fees and Charges for the In-House Service for 2024-25 , item 9.](#)  PDF 205 KB
- [Appendix D - HRA 10-Year Capital Programme 2024-25 , item 9.](#)  PDF 145 KB
- [Appendix E - HRA Proposed Capital Budgets for 2024-25 and Capital Financing per Scheme , item 9.](#)  PDF 129 KB
- [Appendix F - Equality Impact Assessment 2024-25 , item 9.](#)  PDF 152 KB

2024/25 Treasury Management Strategy  PDF 6 MB

- [View the background to item 10.](#)

To consider the report.

2024/25 Capital Strategy  PDF 8 MB





- [View the background to item 11.](#)

2024/25 General Fund Capital Budget  PDF 3 MB

- [View the background to item 12.](#)

To consider the report.

Additional documents:

- [Capital Budget \(General Fund\) Appendix A , item 12.](#)  PDF 206 KB
- [Capital Budget \(General Fund\) Appendix B , item 12.](#)  PDF 94 KB
- [Capital Budget \(General Fund\) Appendix C , item 12.](#)  PDF 106 KB
- [General Exception Notice 30.1.24 , item 12.](#)  PDF 227 KB

2024/25 General Fund Budget and Medium-Term Financial Plan  PDF 7 MB





- [View the background to item 13.](#)

To view all the supporting documents, including the Savings Proposals, the Cumulative Impact Assessment and the relevant Equality Impact Assessment forms, please access the web library by using this link – [Supporting Documents](#)

Additional documents:

- [Appendix 1 - MTFP Forecast , item 13.](#)  PDF 89 KB

**February
2024 Cont'd**

	<ul style="list-style-type: none">• Appendix 2 - Changes to Budgets 2023-24 to 2024-25 , item 13.  PDF 111 KB• Appendix 3 - Provisional Finance Settlement , item 13.  PDF 114 KB• Appendix 4 - Council Tax Trends , item 13.  PDF 93 KB• Appendix 5 - Special Expenses , item 13.  PDF 106 KB
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Somerset Council

Full Council
20 February 2024



Report of the Leader and Executive – Capital Strategy

Executive Member: Councillor Bill Revans – Leader of the Council and Lead Member for Governance and Communications

Division and Local Member: All

Lead Officers: Duncan Sharkey – Chief Executive and Alyn Jones – Executive Director for Strategy, Workforce and Localities

Author: Scott Wooldridge – Head of Governance and Democratic Services and Deputy Monitoring Officer and Mike Bryant – Service Manager - Democratic Services

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

1. Summary

- 1.1** This report sets out the Leader’s and Executive’s recommendations to Council arising from their consideration of reports at the Executive meeting on 7 February 2024 (the Executive also met on 15 January 2024, but no decisions requiring Full Council approval were considered at this meeting).

The references in this report to Paper A relate to the relevant report considered by the Executive containing specific recommendations for Full Council to consider and are appended to this report for reference.

Note – the Executive also considered the following reports at its Executive Meeting on 7 February 2024 – these are being considered by Full Council as separate agenda items:

- **2024-25 Treasury Management Strategy**
- **General Fund Capital Budget**
- **Housing Revenue Account**
- **2024-25 General Fund Budget and Medium Term Financial Plan**

1.2 Paper A (2024-25 Capital Strategy) was considered at the Executive meeting on 7 February 2024. The Executive endorsed Paper C and agreed for this to be reported to Full Council to consider and approve.

This document sets out the proposed Capital Strategy for Somerset Council for the three-year period between 1 April 2024 and 31 March 2027.

CIPFA's Prudential Code for Capital Finance (2021) includes the requirement for local authorities to put in place a Capital Strategy which:

- explains how proposed capital expenditure contributes to Council objectives and supports delivery of essential services,
- sets out the funding strategies for new items of capital investment identified, and
- provides an overview of how the risks associated with capital investment are being identified and addressed.

This report is designed to meet those requirements and summarises the Council's capital investment priorities and funding plans over the next three years, taking account of financial stewardship, value for money, prudence, sustainability and affordability.

Incorporated into this strategy is the Council's Minimum Revenue Provision (MRP) Policy for 2024/25 to be approved. The MRP Policy is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources. The Policy outlines an approach for 2024/25 and is subject to work being undertaken to establish more accurate records from the abolished authorities over the next 12 months. Once undertaken, the MRP policy for 2024/25 will be reviewed where necessary in order to move to a consistent MRP policy across the whole Council and one which fully complies with the Statutory MRP Guidance.

2. Recommendations

2.1 Paper A (Capital Strategy) – see Paper A and its appendices that the Executive considered and endorsed at its meeting on 7 February 2024.

That Full Council approves:

- a. The Capital Strategy including the key prudential indicators for 2024/25
- b. The Flexible Use of Capital Receipts Policy for 2024/25
- c. The Minimum Revenue Provision (MRP) Policy for 2024/25

3. Options considered and consultation undertaken

3.1 Options considered and details of consultation undertaken in respect of the recommendations set out above are set out in the report and appendices within Paper A.

4. Implications

4.1 Financial, legal, Human Resources, equalities, human rights and risk implications in respect of the recommendations set out in this report are detailed within Paper A.

It is essential that consideration is given to the legal obligations and in particular to the need to exercise the equality duty under the Equality Act 2010 to have due regard to the impacts based on sufficient evidence appropriately analysed.

The duties placed on public bodies do not prevent difficult decisions being made such as, reorganisations and service reductions, nor does it stop decisions which may affect one group more than another. What the duties do is require consideration of all of the information, including the potential impacts and mitigations, to ensure a fully informed decision is made.

5. Background Papers

5.1 These are set out within Paper A and its appendices.

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Decision Report - Executive Decision

Forward Plan Reference: FP/23/04/05

Decision Date – 20/02/2024

Key Decision – Yes



Capital Strategy 2024/25 to 2026/27

Executive Member(s): Councillor Liz Leyshon – Deputy Leader and Lead for Member for Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan – Executive Director Resources and Corporate Services (Section 151 Officer)

Author: Peter Robinson, Interim Strategic Finance and Nicola Hix, Director Finance and Procurement

Contact Details: Nicola.hix@somerset.gov.uk peter.robinson@somerset.gov.uk

Summary

1. This document sets out the proposed Capital Strategy for Somerset Council for the three-year period between 1 April 2024 and 31 March 2027.
2. CIPFA’s Prudential Code for Capital Finance (2021) includes the requirement for local authorities to put in place a Capital Strategy which:
 - explains how proposed capital expenditure contributes to Council objectives and supports delivery of essential services,
 - sets out the funding strategies for new items of capital investment identified, and
 - provides an overview of how the risks associated with capital investment are being identified and addressed.
2. This report is designed to meet those requirements and summarises the Council’s capital investment priorities and funding plans over the next three years, taking account of financial stewardship, value for money, prudence, sustainability and affordability.
3. Incorporated into this strategy is the Council’s Minimum Revenue Provision (MRP) Policy for 2024/25 to be approved. The MRP Policy is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources. The Policy outlines an approach for 2024/25 and is subject to

work being undertaken to establish more accurate records from the abolished authorities over the next 12 months. Once undertaken, the MRP policy for 2024/25 will be reviewed where necessary in order to move to a consistent MRP policy across the whole Council and one which fully complies with the Statutory MRP Guidance.

Recommendations

4. That Full Council approves:
 - a) The Capital Strategy including the key prudential indicators for 2024/25
 - b) The Flexible Use of Capital Receipts Policy for 2024/25
 - c) The Minimum Revenue Provision (MRP) Policy for 2024/25

Reasons for recommendations

5. The Capital Strategy is a key element of the Council's Budget Framework which must be considered and approved by Full Council prior to the start of each new financial year.

Other options considered

6. Developing a fit-for-purpose Capital Strategy and ensuring that all proposed capital investment can be properly funded is a regulatory requirement.

Links to Council Plan and Medium-Term Financial Plan

7. This Capital Strategy sits alongside the Medium-Term Financial Strategy and the 2023-2027 Council Plan. The contents of the Capital Strategy are consistent with other Budget reports, namely the Revenue and Capital Budgets for 2024/25 and the Treasury Management Strategy for 2024/25.

Financial and Risk Implications

8. The proposed capital strategy aligns with the 2024/25 Capital Programme and the updated Medium Term Financial Plan. Those reports seek to establish approval of spending and funding requirements to meet the Council's priorities.
9. Three key risks have been identified as:
 - resources will not be allocated to the capital projects most closely aligned to Council priorities or judged to be most necessary to address identified operational risk,

- ineffective project monitoring means that major capital projects will not be delivered within budget, or to the timescales agreed, and
- expected capital funding does not materialise.

10. Each of these risks is considered in turn below.

Allocating Resources to Capital Projects - The Capital Appraisal Process

11. Capital investment decisions are now required to be underpinned by a robust business plan that sets out the full costs and risks and any expected financial return alongside the broader outcomes including economic and social benefits.
12. General Fund service managers bid annually to include projects in the Council's capital programme. Bids are collated by corporate finance who calculate the financing cost (which can be nil if the project is fully financed). The bids are then appraised against a set criterion including a comparison of service priorities against the affordability of expected financing costs.

Project Monitoring

13. Capital monitoring is reported quarterly by the S151 Officer and Deputy S151 Officer to the Executive. Any matters of concern are specifically brought to the attention of the relevant Executive portfolio holder.
14. Each scheme has a nominated budget holder who is responsible for ensuring the scheme stays within budget, and for providing information on spend to date and projected total spend over each financial year and over the life of the project.
15. Re-profiling of capital projects and related funding takes place when necessary and is reported to members via in-year budget reports.

Capital funding

16. Capital grant claims are completed in accordance with grant terms and conditions to ensure all eligible funding is accessed and maximized. Grant claims income is monitored to ensure that:
- conditions stipulated in funding agreements are complied with (so no claw back situations arise), and that,
 - payments in account are received as anticipated.
17. Capital receipts are analysed monthly to ensure that all expected receipts have been banked and that funding has been allocated to projects correctly.

18. Operational cash flow management ensures that there is sufficient cash available to meet contractual liabilities as they arise, and that new borrowing is taken out only when necessary and in accordance with Treasury Management Strategies approved by Full Council in February each year.

Legal Implications

19. The Council's annual Budget setting processes must operate within specified legal and regulatory parameters. The Capital Strategy is designed to support those processes and to ensure that the Budget Framework approved by members for 2024/25 is and represents a "balanced budget" in line with the requirements of the Local Government Finance Act 1992.

HR Implications

20. There are no HR implications.

Equalities Implications

21. There are no equalities implications directly associated with this report. Equality Impact Assessments (EIAs) will be carried out on individual capital projects at these progress towards the delivery stage.

Community Safety Implications

22. There are no community safety implications.

Climate Change and Sustainability Implications

23. There are no climate change or sustainability implications directly associated with this report, however some of the detailed budget proposals included in Appendix A and Appendix B are designed to meet the Council's statutory responsibilities, and its own objectives, with regard to climate change and sustainability.

Health and Safety Implications

24. There are no health and safety implications directly associated with this report although some of the individual capital projects referred to will be undertaken in order to meet the Council's existing Health and Safety responsibilities or to address areas where a specific Health and Safety risk has been identified.

Health and Wellbeing Implications

25. There are no health and wellbeing implications directly associated with this report although some of the capital projects referred to have Health and Wellbeing objectives, especially those projects related to Leisure Services, Town Centre regeneration and social housing.

Social Value

26. Not directly applicable to this report. The social value of individual capital investment projects is assessed at the appraisal stage.

Scrutiny recommendations

27. The Audit Committee is responsible for reviewing the Capital Strategy prior to its approval by elected members. This review took place on 25 January 2024 and suggested amendments have been made to this paper.

Background and Introduction

28. CIPFA's Prudential Code for Capital Finance (2021) includes the requirement for local authorities to put in place a Capital Strategy which:
- explains how proposed capital expenditure contributes to Council objectives and supports delivery of essential services,
 - sets out the funding strategies for new items of capital investment identified, and
 - provides an overview of how the risks associated with capital investment are being identified and addressed.
29. This Capital Strategy is a key element of the Council's Budget Framework and supports both Revenue and Capital budgets for 2024-25.

Report

Proposed Capital Programme

30. The proposed Capital Programme for the General Fund (GF) is shown below in summary with more detail provided in Appendix A. Approval of the capital programme is a separate report on this agenda.

Table 1 – General Fund Capital Programme 2024/25 to 2026/27

Directorate	2024/25 £m	2025/26 £m	2026/27 £m	Total All Years £m
Adults Services	2.512	1.368	0	3.880
Childrens Services	21.712	8.241	5.810	35.763
Community Services	1.538	0.221	0	1.759
Climate and Place	91.402	62.510	25.311	179.223
Resources and Corporate Services	14.659	2.899	0.065	17.623
Strategy and Workforce	0.135	0.136	0	0.271
Total Programme	131.958	75.375	31.186	238.519

31. Capital investment programmes for the Council’s social housing function are developed on a longer-term basis culminating in a 30-year Business Plan. This Plan is based on:
- expected future rental income and anticipated Right to Buy Sales,
 - expected need for social housing,
 - stock condition surveys, and
 - government guidelines on the quality of social housing, see www.gov.uk/government/collections/social-housing-quality for further details.
32. The Council is required to maintain a separate Housing Revenue Account (HRA) which is ring-fenced to ensure that the social housing function neither subsidises, nor is subsidised by, local taxpayers. Somerset Council acts as Landlord to the tenants of properties in Somerset West and Taunton, whereas the properties in Sedgemoor are managed through an ALMO (Arms-Length Management Organisation).
33. Table 2 below summarises the proposed Capital Programme for the HRA. Further detail is provided in Appendix B.

Table 2 – HRA capital programme 2024/25 to 2026/27

	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m
Major Works	22.85	20.29	19.15	62.28
Fire Safety	2.59	1.51	0.51	4.60
Related Assets	0.40	0.40	0.58	1.38
Exceptional & Extensive	1.54	1.57	1.17	4.28
Vehicles	0.28	0.29	0.29	0.86
ICT & Transformation	-	-	-	-
Aids & Adaptations & DFGs	0.37	0.37	0.37	1.11
Major Works & Improvements	28.02	24.42	22.06	74.51
Social Housing Development	22.03	19.46	13.51	54.99
Total HRA Capital Expenditure	50.05	43.88	35.57	129.50

34. Therefore, in the three-year period between 1 April 2024 and 31 March 2027, total approved capital expenditure is £238.5m for the General Fund and £129.5m for the HRA, a combined total of £368m.
35. Within these overall budgets, reprofiling of expenditure between financial years is expected to be an ongoing process which is necessary to reflect:
- any identified slippage
 - additional grant funding or other changes to available financial resources.
 - new or emerging operational risks.
36. All significant changes will be identified and reported to members as part of the Council’s in-year budget monitoring.
37. Capital budgets for 2023/24 were primarily a compilation of anticipated spending plans and existing contractual commitments already put in place by the previous five authorities together with new schemes approved in February 2023. Those spending plans have now been revisited with the objective of:
- reducing pressure on General Fund revenue budgets by minimizing debt charges and maximizing asset use, and
 - reprofiling capital investment into future years where appropriate.
38. On this basis, new programme approvals have been restricted to which are either Health and Safety related, represent legal requirements, demonstrate a clear link to Council priorities, Invest to Save or can be externally funded.

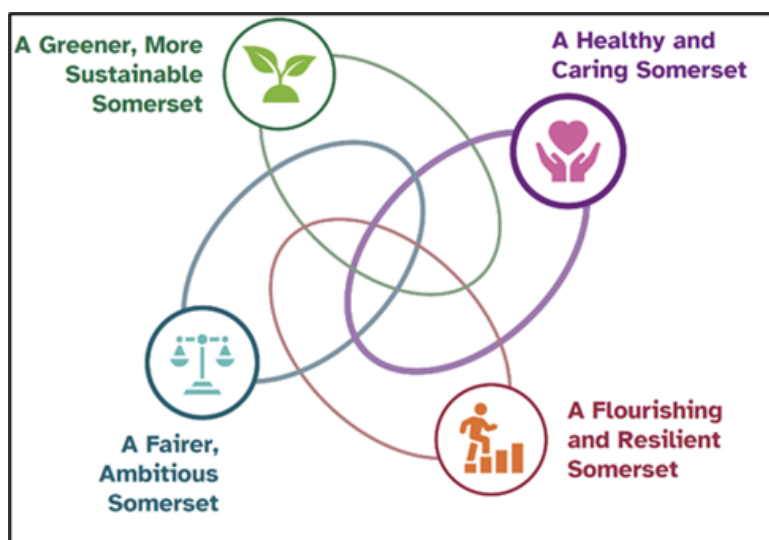
39. Table 3 below compares the Council’s proposed capital investment plans for 2024/25 - 2026/27 against the 2023/24-2025/26 plans approved by the vesting authority in March 2023. This shows a net reduction in total spending of £82.5m.

Table 3 – Current and previous capital investment plans

	General Fund £m	HRA £m	Total £m
2023/24 to 2025/26 capital expenditure approved in March 2023	332.2	118.3	450.5
2024/25 to 2026/27 capital expenditure proposals - March 2024	238.5	129.5	368.0
Net (increase)/reduction	93.7	(11.2)	82.5

Capital Investment Plans and Council Priorities

40. This Capital Strategy sits alongside the Medium-Term Financial Strategy and the 2023-2027 Council Plan. The Council Plan sets out the agreed vision for the new Council and its priorities over the next four years, which are set out below. Further information about the Council Plan can be accessed via www.somerset.gov.uk/council-and-democracy/somerset-council-council-plan-2023-2027.



41. Table 4 below sets out the major capital projects which contribute to these four priorities. These projects represent over 90% of proposed capital spending. Other projects mainly relate to:

- the maintenance of Council property, vehicles and equipment, (£18m, see paragraph 62 below), or to
- expenditure which is necessary to meet Health and Safety or other legal requirements.

Table 4 – Major Capital Projects 2024/25 to 2026/27

Council Priorities	Investment 2024/25 to 2026/27 £m
A greener, more sustainable Somerset	
Transport is a key contributor to the Council’s carbon footprint. This work includes improvements to the local roads and highways network, developing alternatives to car travel and encouraging the use of clean energy.	121
A Healthy and Caring Somerset	
Good housing is key to good health, and the Council will contribute to this objective by building new social housing for local people as well as maintaining and improving its own housing stock.	129
A Fairer, Ambitious Somerset	
The Council wants all local children to get an excellent education which will help them to achieve their goals in life. It continues to invest in schools’ facilities for all age groups and abilities.	33
A flourishing and resilient Somerset	
The Council is working to maintain a stable and flourishing local economy in Somerset, focusing in this financial period on the communities of Bridgwater and Glastonbury in particular.	52
Total	335

42. Further information on major capital schemes is provided in Appendix C.

Capital funding strategies

43. Capital expenditure represents the acquisition of assets with an expected useful life of more 12 months. Funding is available as follows:

- capital grants from Government departments together with a limited amount of third-part funding, eg from developers in the form of section 106 contributions.
- disposal proceeds from the sale of existing property and other assets,
- contributions from revenue budgets
- use of available cash resources not required for day-to-day service delivery, and
- external borrowing.

44. More detail on these various sources of funding is provided in Appendix D.
45. Due to the long-term nature of capital investment, the revenue implications of decisions taken by the Council now will extend into future years the Section 151 Officer must be satisfied that any new capital investment plans are prudent, affordable and sustainable. In practice this means that:
- the Council's usual approach is only to approve the use of external borrowing when the proposed item of expenditure is a necessity, but no alternative source of financing can be identified,
 - only schemes that have fully identified funding in place are included in the proposed capital programme, and
 - the cost impact of borrowing forms part of the 2024/25 revenue budget medium term financial planning.
46. The main source of funding for the GF capital programme are government grant receipts, which accounts for 81% of forecast expenditure. The only other significant funding source is borrowing, which accounts for 19%. Principal sources of financing for the HRA Capital Programme are prudential borrowing (28%) and the Major Repairs Reserve (53%).
47. The 2024/25 Budget Update Report which is due to be presented to the Executive in February 2024 identifies the potential need for a Capitalisation Directive of £36.7m to bridge the shortfalls identified in revenue budgets for 2024/25. The same report has also identified further budget shortfalls of £67.3m and £43.9m for the following two years respectively. If approved, some of this capitalised expenditure can be financed from asset disposals but the remainder would need to be financed from borrowing.

Flexible use of Capital Receipts

48. Central Government outlined in December 2015 that local authorities would be able under certain circumstances to utilise capital receipts for revenue expenditure in certain circumstances. The criteria for the application of capital receipts for revenue spend has gradually changed over time. The current rules that were introduced in 2021 outline that:
- Only receipts received within the timescales that authorities have a Flexible Receipts Strategy can be used;
 - Only receipts from PPE (Property, Plant, and Equipment) can be used where the authority ceases to have an interest in the asset;
 - The authority must be able to demonstrate that ongoing savings are a result of the application of receipts; and

- Discretionary redundancy payments cannot be funded from capital receipts, but statutory redundancy and pension strain payments are allowable.

49. Table 5 below summarises the expected capital funding position for 2024/25 to 2026/27.

Table 5 – Net funding position 2024/25 to 2026/27

	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
General Fund	131.958	75.375	31.186
HRA	50.051	43.880	35.570
	182.009	119.255	66.756
Funding			
General Fund			
Capital Grants	(93.764)	(66.266)	(25.311)
Capital Receipts	(0.017)	0.000	0.000
Contributions	(6.950)	(1.030)	0.000
Reserves	(0.773)	0.000	0.000
Direct revenue financing	0.000	0.000	0.000
HRA			
Major Repairs Reserve	(18.283)	(17.691)	(19.145)
Capital Receipts	(4.549)	(5.584)	(3.080)
Capital Grants	(12.317)	(1.100)	(0.396)
Funding for capital programme	(136.653)	(91.671)	(47.932)
Financing need for capital programme	45.356	27.584	18.824
Capitalisation Direction			
Capitalised expenditure	36.700	67.200	43.900
Funding from Capital Receipts	(36.700)	(60.000)	(50.853)
Financing need for CD	0.000	7.200	(6.953)
Net Financing need for the year	45.356	34.784	11.871

50. As shown by Table 6 below, the total new borrowing requirement over the three-year period from 1 April 2024 to 31 March 2027 is therefore currently estimated at £92.01m. The Council's overall borrowing is expected to increase from £733.215m at 1 April 2024 to £820.214m at 31 March 2027, after allowing for the repayment of PFI liabilities during this three-year period.

Tables 6 – Impact of new Borrowing 2024/25 to 2026/27

New Borrowing Requirement 2024/25 to 2026/27

	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	Total £m
General Fund	30.454	8.079	5.875	44.408
HRA	14.902	19.505	12.949	47.356
Capitalisation Direction	0.000	7.200	(6.953)	0.247
Total	45.356	34.784	11.871	92.011

Overall Borrowing Projection 2024/25 to 2026/27

	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Short-term borrowing	138.000	138.000	138.000
Long-term borrowing	604.556	639.340	651.211
PFI liability	34.539	32.876	31.004
Total borrowing at 31 March	777.095	810.216	820.214

Revenue Implications of Capital Investment

51. As well as overall changes to borrowing levels, the Council must also take into consideration the ongoing revenue implications of capital investment plans in terms of:

- anticipated savings
- income generation potential
- future utility charges and repair and maintenance costs
- future debt costs.

52. Debt costs comprise two major elements:

- interest charges and debt management costs associated with external borrowing, and
- Minimum Revenue Provision (MRP) set aside, which is applied by law to some aspects of General Fund capital expenditure. The Council’s amended MRP policy is shown in appendix E.

53. Both are fully incorporated into the revenue budget setting process to ensure prudence and affordability. They are also reflected in prudential indicators calculated and reported

as part of the Council's approved Treasury Management Strategy and in-year Treasury Management reports.

54. As part of its budget setting processes each year, the Council is required to produce and publish its current policy on calculating MRP. Appendix E sets out the Council's amended Policy for 2023/24, which it intends to apply again in 2024/25. The Section 151 Officer is satisfied that this represents a prudent approach in line with current guidance but acknowledges that further work is needed to update and improve the quality of asset records inherited from the previous authorities.
55. DLUHC is currently consulting on proposed changes to the MRP mechanism and the underlying requirements for the calculation each year. The Council's current Policy does not anticipate these changes but officers intend to review and update the Policy set out in Appendix E as soon as new guidance has been finalised and published.
56. The revenue impact of the forecast new borrowing requirement of £92.01m is shown in Table 7 below. Taking a prudent approach, these estimates assume that any new prudential borrowing would be external.

Table 7 – Revenue Impact of new Prudential Borrowing

	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	Total Estimate £m
Capital programme				
Prudential borrowing required	45.356	27.584	18.824	91.764
MRP	0.000	1.548	2.039	3.587
Interest	1.021	2.662	3.706	7.388
Total annual revenue impact	1.021	4.210	5.744	10.975
Capitalisation Direction				
Prudential borrowing required	0.000	7.200	(6.953)	0.247
MRP	0.000	0.000	0.247	0.247
Interest	0.000	0.162	0.168	0.330
Total annual revenue impact	0.000	0.162	0.414	0.576
Total prudential borrowing required	45.356	34.784	11.871	92.011
Total annual revenue impact	1.021	4.372	6.159	11.551

57. This additional revenue budget required has been incorporated into the Medium-Term Financial Strategy and 2024/25 Revenue Budgets.

PFI and Leasing

58. The former County Council made limited use of Private Finance Initiative schemes (PFI) and leasing arrangements as a means of funding capital investment, primarily through the Building Schools for the Future (BSF) initiative which commenced in 2011/12. The Council will continue to consider similar funding opportunities as and when they arise but is not actively pursuing this option for any new projects at the current time.

Commercial Activity

59. The Council currently holds a portfolio of commercial properties, together with some equity-based investments in limited companies. Work done during the current financial year and already reported to members has identified that these investment holdings no longer meet financial, strategic or operational objectives for the new Council. Plans to dispose of these assets either have been, or are being, put in place.
60. No new plans to invest in non-Treasury investments are being brought forward as the Council considers that its current priority should be to focus capital investment on the provision of services for local people. Moreover, borrowing to invest purely for commercial income gain is now strongly discouraged by Treasury, to the point the PWLB is explicit in not being used for this sole purpose. Amendments to the Prudential Code in 2021, also tightened regulatory controls on this type of activity.
61. On this basis a strategy for the acquisition and management of non-Treasury investments is not considered necessary and has not been presented to members as part of the 2024/25 Budget framework. Arrangements for the orderly disposal of existing non-Treasury investments will be subject to member approval on an individual basis as and when developments occur.

Asset Management

62. Capital budgets have been put in place to maintain those assets which support delivery of Council services, as shown by Table 8 below:

Table 8 – Asset Management budgets 2024/25 to 2026/27

Key risk area	2024/25 to 2026/27 £m
Council property (non-schools)	
This budget has been established to ensure buildings are safe and functional and remain operational, focusing on urgent and essential works. Condition surveys have been undertaken to inform the proposed programme of works.	14
Fleet Management	
The Council has a fleet of over 750 vehicles. Projects are under way to review and rationalize fleet operations including procurement and management, decarbonization and vehicle utilization. This budget is for a new Fleet Management System with improved telematics and vehicle tracking, to improve security and promote driver safety and fuel efficiency by providing better access to usage data	1
Corporate ICT	
Budget established to: <ul style="list-style-type: none"> • Maintain and replace ICT components as necessary to maintain current service levels and to avoid any risks or failures that could compromise business continuity and data security. • Support the Council’s hybrid work style. • Consolidate ICT systems inherited from the five previous organizations into a more cohesive, cost effective and resilient infrastructure. 	3
Total	£18m

63. Somerset Council is committed to proactive asset management and is developing strategies to dispose of individual assets and sub-portfolios on an ongoing basis. These strategies will be presented to elected members for approval in line with the council's Scheme of Delegation and Asset Disposal Policy, and will be underpinned by work that is already ongoing to review and rationalize asset use, and to maximise income from capital receipts following the disposal of surplus assets.

Delivering this Strategy

64. The Capital Programme is revised annually as part of the budget setting process. Any significant variations to the Capital Programme require member approval which is usually sought via in-year budget reports. Delivery of the Capital Programme is part of the monthly financial monitoring process and involves close liaison between the corporate finance team and Project Officers (POs) in relevant spending departments.

Review and Governance

65. The Capital Strategy will be reviewed annually and updated to align with the Council's Medium Term Financial Strategy, annual revenue and capital budgets, and any changes to the Council Plan. This should enable the Council to make investment decisions which are affordable, offer good value for money, and support its strategic aims.
66. The Key Prudential Indicators identified as being most relevant to the development and management of the Council's Capital Programme are set out in Table 9 as follows:

Table 9 – Key Prudential Indicators – Council objectives 2024/25

Key Prudential Indicator	Council objective
Capital Financing Requirement (CFR)	Year-on-year increases to the CFR should be minimized
External Debt vs the CFR	External debt should always remain below CFR
Financing costs as a % of net revenue income - GF	% calculated should remain below 10%
Financing costs as % of net revenue income - HRA	% calculated should remain below 50%

67. These indicators are set out in detail in Appendix F and will be monitored throughout the financial year. At this stage it is anticipated that all of the above objectives will be met in 2024/25. Any significant variations will be reported to members.

Knowledge and Skills

68. The Council employs professionally qualified and experienced staff in all positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Section 151 Officer will always be a qualified accountant with substantial local government experience and the MIFID II “opting up” process has demonstrated that there is an appropriate range of skills and expertise within the corporate Treasury Team.
69. All Finance staff are encouraged to study for relevant professional qualifications and, once qualified, to keep their professional knowledge up to date. The Council has its own in-house legal services team, and in-house valuation specialists who are Royal Institution of Chartered Surveyors (RICS) qualified. It also employs officers with specialist skills and experience in relation to procurement, risk management and Health and Safety.
70. Where the Council needs additional resources, for example to validate work done by officers or to provide specialist expertise in areas where Council staff do not have the knowledge and skills required, use is made of external advisers. For example, the Council

currently employs Arlingclose Limited as treasury management advisers, and Jones Lang LaSalle are advising on asset disposals. This approach is more cost effective than employing additional resources directly and all consultant and advisor contracts are subject to rigorous tender evaluation.

Background Papers

2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council 22 February 2023.

Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023.

Financial Strategy Update report to 09 November 2023 Corporate & Resources Scrutiny and 08 November 2023 Executive.

2024/25 General Fund Revenue & Capital Programme update to 05 December 2023, Corporate & Resources Scrutiny Committee, 06 December 2023 Executive and 20 December 2023 full Council.

Monthly Budget Monitoring reports to Executive & Corporate & Resources Scrutiny Committee

Appendices

Appendix A – Proposed General Fund Capital Programme 2024/25 to 2026/27

Appendix B - Proposed HRA Capital Programme 2024/25 to 2026/27

Appendix C – Details of Major Capital Projects

Appendix D – Sources of Capital Funding

Appendix E – Minimum Revenue Provision (MRP) Policy Statement 2023/24 and 2024/25

Appendix F - Key Prudential Indicators 2024/25

Appendix G – Flexible Use of Capital Receipts Policy

Report Sign-Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	29/01/2024
Communications	Peter Elliott	29/01/2024
Finance & Procurement	Nicola Hix	29/01/2024
Workforce	Dawn Bettridge	28/01/2024
Asset Management	Oliver Woodhams	29/01/2024
Executive Director / Senior Manager	Jason Vaughan	29/01/2024
Strategy & Performance	Sara Cretney	29/01/2024
Executive Lead Member	Cllr Liz Leyshon	29/01/2024
Consulted:		
Local Division Members	All	
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	Via Audit Committee 26/01/2024
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	Part of Scrutiny Papers

Appendix A – Proposed GF Capital Programme 2024/25 to 2026/27

Adults and Health Services					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Adults Residential Programme	1,366	275		1,641	1,641		1,641
Disabled Facilities Grant	1,093	1,093		2,186		2,186	2,186
Learning Disabilities	53			53	10	43	53
Total	2,512	1,368		3,880	1,651	2,229	3,880

Children's Services					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Children's Residential Homes 1-6	326	71	71	468	268	200	468
Children Residential Homes 7 and 8	950			950	950		950
Homes for Children with Disabilities Phase 2	1,500			1,500	1,500		1,500
Children Looked After	130	130		260		260	260
Special Education Needs and Disabilities	3,789	1,567		5,356		5,356	5,356
Early Years	212			212	212		212
Schools - DFCG & Energy Efficiency	750			750		750	750
Schools - Basic Need	975	150		1,125	1,125		1,125
Pyrland School - Dining Facilities Expansion	900			900		900	900
Heathfield School - Dining Facilities Expansion	1,000			1,000		1,000	1,000
St Pauls School Expansion	400			400	400		400
Orchard Grove New Primary School	3,500	200		3,700	3,700		3,700
Courtfields School - Dining Facilities Expansion	700			700	700		700
Dulverton Primary School (Single Site)	100			100	100		100
Schools Condition General	5,714	5,714	5,714	17,142	10,442	€ 700	17,142
Stawley Modular Replacement	475	400	25	900	900		900
Albert Street Modular Replacement	291	9		300	300		300
Total	21,712	8,241	5,810	35,763	20,597	15,166	35,763

Climate & Place - Other Services					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Flood Alleviation Projects (Somerset West & Taunton area)	4,035	1,000		5,035	106	4,929	5,035
Somerset Waste Partnership - Bin Stock	1,020	70		1,090	1,090		1,090
Chard Reservoir Dam Works	3	18		21	21		21
Total	5,058	1,088		6,146	1,217	4,929	6,146

Climate & Place - Economy and Regeneration					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Business Growth Fund & Other Projects	434			434	434		434
Bridgwater Town Deal	8,985	7,249		16,234		16,234	16,234
Bridgwater Levelling Up Fund	7,211	6,144		13,355		13,355	13,355
Glastonbury Town Deal	10,050	6,000		16,050		16,050	16,050
Taunton Town Centre Regeneration	897			897		897	897
Firepool Development, Taunton	4,000			4,000		4,000	4,000
Chard Regeneration	500			500		500	500
Frome Enterprise Centre Building Improvements	806	19		825	825		825
Total	32,883	19,412		52,295	1,259	51,036	52,295

Climate & Place - Infrastructure and Transport					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Bridge Structures	7,448	4,000	12,000	23,448		23,448	23,448
Road Structures	29,500	31,625		61,125		61,125	61,125
Traffic Control	2,800	2,800	5,100	10,700		10,700	10,700
Active Travel Projects	1,666			1,666		1,666	1,666
Small Improvement - Safety Schemes	500	500	1,500	2,500		2,500	2,500
Highway Lighting	1,000	1,000	3,000	5,000		5,000	5,000
Rights of Way	1,121	1,237	3,711	6,069		6,069	6,069
Car Parks & Parking Services	248	248		496	496		496
Major Road Network	200	100		300	200	100	300
A38 Chelston Link	4,610			4,610		4,610	4,610
Fleet Management - Vehicles	500	500		1,000	1,000		1,000
Silk Mills Park & Ride Security Measures	125			125	125		125
Bus Service Improvement Programme	3,743			3,743		3,743	3,743
Total	53,461	42,010	25,311	120,782	1,821	118,961	120,782

Appendix A (continued) - Proposed GF Capital Programme 2024/25 to 2026/27

Community Services					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Library Services	326			326	254	72	326
Grants to Registered Social Landlords (RSLs)	790			790		790	790
IAC Staffing and Support	102	102		204		204	204
Energy Efficiency Grants	62	62		124		124	124
Home Maintenance	57	57		114		114	114
Prevention Grants	71			71		71	71
Ports and Harbours Safety Improvements	70			70	70		70
Bridgwater Port and River Brue Dredging	30			30	30		30
Bridgwater Port Navigation Aids and Beacons	30			30	30		30
Total	1,538	221		1,759	384	1,375	1,759

Resources and Corporate Services					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Corporate ICT Investment	2,098	780		2,878	2,776	102	2,878
Property Services General	798			798	798		798
Wellington Library Improvements	1,158	34		1,192	1,192		1,192
Building Compliance Health & Safety	190			190	190		190
Property Rationalisation	700			700	700		700
Building Condition Programme (Non Schools)	2,466	236		2,702	2,702		2,702
Wincanton Sports Centre - New Roof and Colley Lane, Bridgwater - New Bay Roof (24/25/Corp Contingency)		825	19	844	844		844
Bridgwater Library - Condition, Roof (22/23)	444	11		455	455		455
Taunton Library - New Boiler (22/23)	224	5		229	229		229
Orchard Multi-Storey - Structural and waterproofing repairs. (23/24)	330	8		338	338		338
Outdoor Education Centres Improvements	525	375	21	921	921		921
Outdoor Education Centres Building Condition	625	550	25	1,200	1,200		1,200
South West Heritage Trust Building Condition	325	75		400	400		400
Wellington Sports Centre Decarbonisation	2,383			2,383	2,341	42	2,383
Dulverton Weir Essential Works	30			30	30		30
Closed Churchyards	150			150	150		150
Capital Works for Investment Properties	2,213			2,213	2,213		2,213
Total	14,659	2,899	65	17,623	17,479	144	17,623

Strategy, Workforce, and Localities					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Various Other Schemes	135	136		271		271	271
Total	135	136		271		271	271

Directorate Area					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Adults and Health	2,512	1,368		3,880	1,651	2,229	3,880
Children's Services	21,712	8,241	5,810	35,763	20,597	15,166	35,763
Climate & Place - Other Services	5,058	1,088		6,146	1,217	4,929	6,146
Climate & Place - Economy and Regeneration	32,883	19,412		52,295	1,259	51,036	52,295
Climate & Place - Infrastructure	53,461	42,010	25,311	120,782	1,821	118,961	120,782
Community Services	1,538	221		1,759	384	1,375	1,759
Resources & Corporate Services	14,659	2,899	65	17,623	17,479	144	17,623
Strategy and Workforce	135	136		271		271	271
Total	131,958	75,375	31,186	238,519	44,408	194,111	238,519

Appendix B – Proposed HRA Capital Programme 2024/25 to 2033/34

HRA Capital Programme	Total Planned Capex Budget	Planned Capex 2023/24	Planned Capex 2024/25	Planned Capex 2025/26	Planned Capex 2026/27	Planned Capex 2027/28	Planned Capex 2028/29	Planned Capex 2029/30	Planned Capex 2030/31	Planned Capex 2031/32	Planned Capex 2032/33	Planned Capex 2033/34
Major Works	117,009,014	14,067,336	14,511,360	12,977,772	11,852,373	11,968,974	11,951,475	8,809,086	8,641,586	8,813,286	6,709,983	6,705,783
Fire Safety	7,757,500	3,837,500	2,323,000	1,257,500	257,500	41,000	41,000	-	-	-	-	-
Related Assets	5,068,000	50,000	400,000	400,000	580,000	580,000	580,000	558,000	480,000	480,000	480,000	480,000
Exceptional & Extensive	6,315,365	700,933	1,305,000	1,342,914	942,914	842,914	1,180,690	-	-	-	-	-
Vehicles	3,064,006	-	279,825	285,422	291,130	298,953	302,892	308,949	315,128	321,431	327,860	334,417
ICT & Transformation	95,138	95,138	-	-	-	-	-	-	-	-	-	-
Aids & Adaptations & DFGs	4,070,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000
Sub-Total Majors & Improvements	143,379,023	19,120,907	19,189,185	16,633,607	14,293,917	14,099,840	14,426,057	10,046,035	9,806,714	9,984,717	7,887,843	7,890,200
Social Housing Development	66,314,044	12,617,424	17,194,487	17,023,560	12,441,965	3,385,062	1,851,546	1,800,000	-	-	-	-
Total In-House HRA	209,693,067	31,738,331	36,383,672	33,657,168	26,735,882	17,484,902	16,277,603	11,846,035	9,806,714	9,984,717	7,887,843	7,890,200
Major Works	79,585,212	11,976,519	8,334,700	7,315,119	7,293,519	7,293,519	7,293,519	7,077,519	5,790,699	5,736,699	5,736,699	5,736,699
Fire Safety	2,642,100	129,600	262,500	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Related Assets	-	-	-	-	-	-	-	-	-	-	-	-
Exceptional & Extensive	2,271,210	-	237,300	225,990	225,990	225,990	225,990	225,990	225,990	225,990	225,990	225,990
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
ICT & Transformation	-	-	-	-	-	-	-	-	-	-	-	-
Aids & Adaptations & DFGs	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total Majors & Improvements	84,498,522	12,106,119	8,834,500	7,791,109	7,769,509	7,769,509	7,769,509	7,553,509	6,266,689	6,212,689	6,212,689	6,212,689
Social Housing Development	16,529,354	8,199,918	4,832,864	2,431,573	1,065,000	-	-	-	-	-	-	-
Total ALMO HRA	101,027,876	20,306,037	13,667,364	10,222,682	8,834,509	7,769,509	7,769,509	7,553,509	6,266,689	6,212,689	6,212,689	6,212,689
Major Works	196,594,226	26,043,855	22,846,060	20,292,891	19,145,892	19,262,493	19,244,994	15,886,605	14,432,285	14,549,985	12,446,682	12,442,482
Fire Safety	10,399,600	3,967,100	2,585,500	1,507,500	507,500	291,000	291,000	250,000	250,000	250,000	250,000	250,000
Related Assets	5,068,000	50,000	400,000	400,000	580,000	580,000	580,000	558,000	480,000	480,000	480,000	480,000
Exceptional & Extensive	8,586,575	700,933	1,542,300	1,568,904	1,168,904	1,068,904	1,406,680	225,990	225,990	225,990	225,990	225,990
Vehicles	3,064,006	-	279,825	285,422	291,130	298,953	302,892	308,949	315,128	321,431	327,860	334,417
ICT & Transformation	95,138	95,138	-	-	-	-	-	-	-	-	-	-
Aids & Adaptations & DFGs	4,070,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000
Sub-Total Majors & Improvements	227,877,544	31,227,026	28,023,685	24,424,717	22,063,426	21,869,350	22,195,566	17,599,545	16,073,404	16,197,406	14,100,532	14,102,889
Social Housing Development	82,843,398	20,817,342	22,027,350	19,455,133	13,506,965	3,385,062	1,851,546	1,800,000	-	-	-	-
Total Combined HRA	310,720,943	52,044,368	50,051,035	43,879,849	35,570,391	25,254,412	24,047,112	19,399,545	16,073,404	16,197,406	14,100,532	14,102,889

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Appendix C – Details of major capital projects

A Fairer, Ambitious Somerset

Children with Special Education Needs & Disabilities

High Needs Provision Capital Allocations (HNPCA) grant will be used to fund projects that:

- enable and/or increase access to mainstream placements for children and young people who might otherwise require more specialist provision.
- increase the local availability of High Needs places, and
- adapt, re-model or improve existing High Needs places to make them suitable for a wider range of needs.

This involves a combination of expanding, repurposing and reconfiguring provision so that they better meet the needs of children and young people with complex needs, for example by improving:

- physical access to school buildings (e.g. ramps, handrails, and automated doors).
- access to the curriculum (e.g., specialist furniture and IT equipment).
- facilities within school buildings (e.g., medical rooms and acoustic improvements).
- access to specialist provision.

Schools - Energy Efficiency

This annual budget relates to a government funded grant allocated for individual schools for small capital projects and energy efficiency schemes. The grant is passported by Somerset Council onto Local Authority maintained schools for us in accordance with the conditions of the scheme.

Schools - Basic Need

The purpose of this investment is to meet the Council's statutory duty to deliver sufficient fit for purpose school places for all children in Somerset. The Council is facing increasing demand for school places, both mainstream and specialist provision, as the school age population in the county continues to rise. A number of projects to provide additional school places across the county will need to be undertaken over the coming years with funding being received from a number of sources including: Department for education (Dfe), Section106, Community Infrastructure Levy (CIL) and Housing Infrastructure Fund (HIF)

Schools condition programme

As well as ensuring a sufficient provision of new places, schools must be maintained in an appropriate condition. This funding is to ensure school buildings are safe and functional and that their condition does not detract from teaching and learning or lead to unplanned school closures. The Department for Education (DfE) provides an annual capital grant to support this activity. However, there is a major and growing shortfall in funding between the level of need and the grant funding available, with a significant maintenance backlog currently identified. Grant funding will therefore be allocated to areas of highest need identified in the most recent condition surveys ie essential funding to replace critical building components

Appendix C (continued) – Details of major capital projects

(boilers/heating/roofs/windows etc) and major works which Schools would in most cases be unable to afford through their devolved funds.

A flourishing and resilient Somerset

Bridgwater Town Deal

Bridgwater is one of the Government's 101 Towns Fund Towns. In 2021-2022, the local authority secured £23.2m of investment to deliver eleven different projects within the town, ranging from travel to cultural improvements and diversifying what the town centre has to offer. The largest single project, which commenced in February 2023, will improve large parts of Bridgwater's public realm alongside better accessibility within the town centre.

Plans are also in place to regenerate the former Bridgwater Hospital, a significant Grade 2 building which has become dilapidated over recent years. Converting the building into a Training Academy for Health and Social Care will not only bring back into use a significant town centre site but also deliver wider benefits such as increasing town centre footfall, and training thousands of individuals to work across the health and care sectors.

Glastonbury Town Deal

Glastonbury is also one of the Government's 101 Town Deal towns and will benefit from £23.6m investment between 2021 and 2026. Some key projects have already been delivered, for example the Robert Richards Initiative has created a popular multi-user path at Tor Leisure and a learning and skills website in partnership with the Open University. Other initiatives include:

- local hubs for Sport and Leisure, Enterprise and Innovation
- clean energy initiatives
- improvements to Glastonbury Abbey, and
- a new Community Health and Wellbeing Centre.

A greener, more sustainable Somerset

Bridges, Road structures and Traffic Control

Highways Agency funding will be used to maintain the highways network and the various bridges and structures which Somerset Council is responsible for. This includes the core annual maintenance cycle relating to carriageways, footways and cycleways, drainage, street lighting, and traffic control. Grant funding has also been made available to complete the A38 Chelston Link to junction 26 of the M5 motorway.

There are currently 299 Traffic signal sites across Somerset. Approximately 137 of these sites have been identified as being in a critical condition with urgent works required, and 220 will be affected by national plans to connect all traffic signals to a digital network by the end of 2025.

Appendix C (continued) – Details of major capital projects

Lighting

The Council currently maintain circa 50,495 street lights, 1704 illuminated bollards, 4,839 illuminated signs and 401 Belisha Beacons/Beacon post lights. 64% of these have been replaced with LEDs, with the remainder due to be replaced over the next three years.

Bus Service Improvement Programme

Three separate infrastructure projects will be carried out as part of the BSIP programme:

- BSIP ‘Greenwaves’: A series of bus priority measures in Taunton along key routes into the town, including new bus lanes and upgrades to signals and traffic lights,
- Taunton Mobility Hub: These works will return the old bus station site to its original use as a bus interchange together with cycle parking, cycle hire, e-bike charging, community and commercial space and an indoor waiting area.
- Somerton Rural Mobility Hub: A smaller, rural mobility hub which will act as an interchange for existing bus services and DDRT service trial.

A Healthy and Caring Somerset

New Social Housing

New housing developments are planned at:

- The “Woolaway Project”, in North Taunton, which will provide a net increase of 69 new homes over the next 10 years.

- 40 new homes in Bridgewater, Sydenham, North Petherton and Nether Stowey.

Maintaining and improving HRA housing stock

Major items of capital expenditure will relate to:

- kitchens and bathrooms (£31m),
- windows and roofing (£21m)
- heating and insulation (£14m).

Further information about the Council's financial plans for social housing can be found at [Housing Revenue Account \(HRA\) updated 30 year Business Plan and Rent Set 202324.pdf \(somerset.gov.uk\)](#)

Appendix D – Sources of Capital Funding

Capital Receipts

Capital Receipts come from the sale of Council's assets. If the disposal relates to HRA land or property, then a percentage of the sales receipt must be paid over to the Government. In most cases capital receipts can be made available to support the capital programme as a corporate resource, irrespective of which service area the asset previously belonged to. The main exception to this is any Right to Buy (RTB) receipts held under Section 11(6) agreements, which must be used for the specific purpose providing replacement affordable housing.

Government Grants

Capital grants from the Government can be split into two categories:

- *Non-ring fenced* - grant that can be utilised on any project, albeit for a specific purpose. This is now the vast majority of Government funding.
- *Ring-fenced* - resources which are ring fenced to particular projects and therefore have restricted uses, specified by the funder. Any grant receipt not used for the specified purposes must be returned.

Non-Government Contributions

Where there is a requirement to make an application to an external agency to receive external funding, and to commit Council resources as matched funding to any bid which is successful, a business case should first of all be presented to demonstrate how the project aligns to Council's priorities and how matched funding and any revenue consequences of the project can be managed within the context of the capital and revenue budget overall.

Revenue Contributions

Subject to affordability, an element of the revenue budget can be set aside to fund the Capital Programme (Direct Revenue Financing). This practice mainly relates to capital expenditure within the HRA which is funded from rental income via the Major Repairs Reserve.

Prudential Borrowing

The term Prudential Borrowing does not automatically lead to external borrowing as the Council may be able to use cash it holds in reserves and short-term investments. The Council will resource capital projects using prudential borrowing only where plans put forward are sustainable, affordable, and prudent. Full appraisal will take place to ensure that, wherever possible, sufficient revenue income or cost savings returns are generated to cover the cost of borrowing. Where it is considered that prudential borrowing is the most appropriate method of funding, but it requires additional revenue financing, those additional costs must be built into the revenue budget planning process before the project can be approved.

Appendix E – Minimum Revenue Provision (MRP) Policy Statement 2023/24 and 2024/25

Introduction

1. Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') requires local authorities to 'charge to a revenue account a minimum revenue provision (MRP) for that year'. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g. s.106 and community infrastructure levy) revenue contributions, earmarked reserves or capital receipts.
2. MRP is sometimes referred to as the mechanism for setting aside monies to repay external borrowing. In fact, the requirement for MRP set aside applies even if the capital expenditure is being financed from the Council's own cash resources and no new external borrowing or other credit arrangement has been entered into.
3. Regulation 28 of the 2003 Regulations requires full Council to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Council considers to be prudent. This statement is designed to meet that requirement.
4. In setting a prudent level of MRP local authorities must "have regard" to guidance issued from time to time by the Secretary of State for Housing, Communities and Local Government. The latest version of this guidance (version four) was issued by Ministry of Housing, Communities and Local Government (MHCLG) in February 2018.
5. The Department for Levelling Up, Housing and Communities (DLUHC) published a consultation on changes to the Capital Finance Regulations and the Statutory MRP Guidance in December 2023. A summary of the proposed changes is set out at paragraph 11 below. The changes being consulted upon will take effect from 1 April 2024. Consequently the MRP Policy Statement for 2024/25 must have regard to the proposed changes as well as the extant legislation and MRP Guidance.
6. In setting a level which the Council considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.
7. The Guidance sets out four "possible" options for calculating MRP, as set out below,

Option	Calculation method	Applies to
--------	--------------------	------------

1: Regulatory method	Formulae set out in 2003 Regulations (later revoked)	Expenditure incurred before 1 April 2008
2: CFR method	4% of Capital Financing Requirement	Expenditure incurred before 1 April 2008
3: Asset life method	Amortises MRP over the expected life of the asset	Expenditure incurred after 1 April 2008
4: Depreciation method	Charge MRP on the same basis as depreciation	Expenditure incurred after 1 April 2008

8. Two main variants of Option 3 are set out in the Guidance (i) the equal instalment method and (ii) the annuity method. The annuity method weights the MRP charge towards the later part of the asset's expected useful life and is increasingly becoming the most common MRP option for local authorities.
9. The Guidance also includes specific recommendations for setting MRP in respect of finance lease, investment properties and revenue expenditure which is statutorily defined as capital expenditure under the 2003 Regulations (also referred to as revenue expenditure funded from capital under statute or REFCUS). Examples of REFCUS include capitalised redundancy costs, loans or grants to third parties for capital purposes, and the purchase of shares in limited companies.
10. Other approaches are not ruled out however they must meet the statutory duty to make prudent MRP provision each financial year.

DLUHC consultation

11. DLUHC published a consultation on changes to the Capital Finance Regulations and Statutory Guidance in respect of MRP in December 2023. This follows two earlier consultations in November 2021 and February 2022. The aim of the changes proposed is to strengthen the requirement for local authorities to make a prudent MRP provision, in response to two issues which have led to underpayment of MRP at a number of authorities including Woking:
 - (a) excluding a proportion of debt from the MRP determination in two areas:
 - (i) firstly, debt associated with investment properties or investments defined as capital expenditure, on the basis that such assets retain their capital value and that the asset can be sold at any time in the future to repay the associated debt. The Government have stated that this is not prudent. The proposals will amend the 2003 Capital Finance Regulations to make clear that MRP is required on such expenditure;
 - (ii) secondly, debt associated with making loan advances to third parties for a capital purpose. The argument put forward by authorities exempting such

debt from MRP calculations is that the repayments of principal would be used to repay debt. The proposed changes will require local authorities to continue to set aside MRP on “commercial loans” (defined as a loan undertaken for profit), but allows local authorities an exemption from charging MRP for non-commercial loans, but will require local authorities to set aside as MRP an amount for any expected credit loss calculated under IFRS9. In other words for non-commercial loans as soon as there is evidence that the debtor might be unable to repay all or some of the loan, the authority would be required to set aside the full amount of the estimated loss.

(b) using capital receipts in place of charging MRP to revenue. Authorities following this approach would use capital receipts to pay for the amount of MRP due for the individual financial year. This practice effectively treated capital receipts as a revenue source, which is not permissible under Regulation 23 of the Capital Finance Regulations. The proposed changes to the Capital Finance Regulations make clear that capital receipts can only be used to reduce the overall level of the CFR, which in turn forms the basis for calculating the MRP charge, based on the residual CFR after the application of capital receipts.

12. In addition, paragraph 46 of the draft MRP Guidance states that for local authorities where the Government has made arrangements to intervene and has, or is in the process of, put in place financial support arrangement for the authority, that it may be appropriate to reflect the nature of any such financial support when determining a prudent level of MRP for the forthcoming financial year. The draft Guidance goes onto state that the authority must seek agreement from the Government on how any such assumptions with respect to support are reflected in the determination of MRP. The draft Guidance goes onto explain that paragraph 46 is not a new policy but clarifies an issue that previous editions of the Guidance was silent on. As such, the Government expects this to apply to prior periods (or MRP from prior periods).

Local Government Reorganisation

13. Prior to vesting day for the new Somerset Council, all five abolished authorities had different MRP policies and practices. When the MRP policy was set for the new Council as part of the budget setting process for 2023/24, the MRP Policy Statement set out that past charges would not be re-visited but that a consistent approach would be developed for the new Council.

14. The quality of the records available to date inherited have not been sufficient to enable this as explained below:

- Only one authority appeared to have any MRP stream in respect of pre 2007/08 and supported capital expenditure incurred 2008-2011. This seems unlikely given

that the amortisation period would have been a minimum of 25 years from 1 April 2008 when the current system of MRP came into force;

- For unsupported capital expenditure incurred since 1 April 2008, only two authorities appeared to have capital finance records which showed expenditure on an asset by asset basis necessary to support the asset life method which all five authorities reported they were following;
- Asset lives used for the MRP calculations at three authorities appeared to default to 50 years. The asset life method is required to charge MRP over a period commensurate with the period over which their capital expenditure provides benefits. Therefore it is extremely unlikely that the asset lives would all be 50 years. Potentially this means that the authorities would be setting MRP for a period longer than that which provided benefits, which would be imprudent.
- There were no detailed asset life records for the former county council and it has been necessary to apportion the county's CFR pro rata to the net book value of the assets held by the county, in order to estimate a split of the CFR by asset type and then apply asset lives more appropriate to the relevant asset class.

15. In view of this the MRP Policy Statement for 2023/24 is to be amended and the 2024/25 to provide a continuation of the MRP policies for the legacy expenditure from the abolished authorities and a standard policy for unfinanced capital expenditure incurred by the new Council since 1 April 2023.

16. This approach is recommended subject to work being undertaken to establish more accurate records from the abolished authorities over the next 12 months and revisit the MRP policy during 2024/25 where necessary in order to move to a consistent MRP policy across the whole Council and one which fully complies with the Statutory MRP Guidance – both the current 2018 edition and the 2024 edition currently out to consultation.

Minimum Revenue Provision (MRP) policy statement

17. Having regard to current Guidance on MRP issued by MHCLG and the “options” outlined in that Guidance, the Council is recommended to approve the following MRP Statement to take effect from 1 April 2024, on the basis that this represents “a prudent provision” in line with Regulation 28.

MRP stream	Policy	Explanation
Legacy MRP		
Mendip DC:		
1. Operational expenditure	MRP will be calculated on a straight-line basis over the	This complies with Option 3(i) of the MRP Guidance.

<p>2. Investment property</p>	<p>expected asset lives established by the former authority. MRP will be calculated on an annuity basis over the expected asset lives established by the former authority of 20 years</p>	<p>This complies with Option 3(i) of the MRP Guidance.</p>
<p>Sedgemoor DC:</p> <p>1. Pre-2008 capital expenditure and supported capital expenditure</p> <p>2. Unsupported capital expenditure incurred since 1 April 2008</p> <p>3. Commercial investment</p> <p>4. Loans to third parties</p>	<p>MRP will be charged on a 4% reducing balance in respect of the previous year's CFR</p> <p>MRP will be charged on annuity basis over the expected asset lives established by the former authority</p> <p>MRP will be charged on a straight-line basis over the remaining 47 year asset lives established by the former authority.</p> <p>MRP will be charged on a straight-line over the remaining period of the loans</p>	<p>This complies with Option 2</p> <p>This complies with Option 3(ii), but will need detailed asset records to be established to confirm use of the method.</p> <p>This complies with Option 3(i) but will need detailed asset records to be established to confirm use of the method.</p> <p>This complies with Option 3(i) but will need detailed asset records to be established to confirm use of the method.</p>
<p>South Somerset DC</p> <p>Unsupported capital expenditure incurred since 1 April 2008</p>	<p>MRP will be charged on a straight-line basis over the remaining period of the standard 50 year asset lives</p>	<p>This complies with Option 3(i) but will need detailed asset records to be established to confirm use of the method and to reflect the actual asset lives of the assets financed.</p>

MRP stream	Policy	Explanation
<p>South West and Taunton DC</p> <p>Unsupported capital expenditure incurred since 1 April 2008</p> <p>Unsupported capital expenditure on investment property</p>	<p>MRP will be charged on a straight-line basis over the remaining 10 year asset life</p> <p>MRP will be charged on an annuity basis over the residual asset life of the asset(s) acquired</p>	<p>This complies with Option 3(i) but will need detailed asset records to be established to confirm use of the method and to reflect the actual asset lives of the assets financed.</p> <p>This complies with Option 3(ii) but will need detailed records to be established to confirm use of the method and to reflect the actual assets financed.</p>
<p>Somerset CC</p> <p>Unsupported capital expenditure incurred since 1 April 2008</p>	<p>MRP will be charged on a straight-line over the standard asset lives of the CFR at 31/3/2023 apportioned to heritage, infrastructure, intangible and plant and equipment assets.</p> <p>MRP on land and buildings will be charged on an annuity basis over a standard asset life of the CFR at 31/3/2023 apportioned to this asset category</p>	<p>This complies with Option 3(i) but will need detailed records to be established to confirm use of the method and to reflect the actual assets financed.</p> <p>This complies with Option 3(ii) but will need detailed records to be established to confirm use of the method and to reflect the actual assets financed</p>
<p>All pre-2007/08 capital expenditure</p>	<p>MRP will be calculated on the reducing balance method set out in Option 1</p>	<p>This complies with Option 1 but will need the records checking for each abolished authority to establish whether such expenditure was outstanding at 31/3/2023.</p>
<p>Ongoing MRP since 1 April 2023</p>		
<p>All operational capital expenditure incurred since 2007/08</p>	<p>MRP will be calculated on a straight-line using the expected useful asset lives of the assets (Option 3 - asset</p>	<p>This complies with the Option 3(ii) of the MRP Guidance and the requirement for a maximum asset life of 50 years.</p>

	life), subject to a maximum useful asset life of 50 years.	
All capital expenditure on commercial assets incurred since 2007/08	MRP will be calculated on an annuity basis using the expected useful asset lives of the assets (Option 3 - asset life), subject to a maximum useful asset life of 20 years and discounted using the PWLB new loan annuity rate applicable on 1 April in the year when MRP commences.	The use of the annuity method complies with Option 3(ii) of the MRP Guidance.

MRP stream	Policy	Explanation
Expenditure capitalised by virtue of a capitalisation direction under section 16(2)(b) of the Local Government Act 2003	MRP on any expenditure capitalised by way of a Direction will be charged over 20 years using the asset-life method using an annuity approach.	The 20 year life is the period specified in para 47 of the MRP Guidance. The use of the annuity method complies with Option 3(ii) of the MRP Guidance.
Loans to third parties	MRP will be charged on a straight-line basis over the expected useful life for which the loan is to be used, subject to a maximum useful asset life of 50 years	The straight-line approach complies with Option 3(i) of the MRP Guidance and the useful life is that set out in para 47 of the MRP Guidance.
Expenditure on the acquisition of share capital	MRP will be charged on a straight-line over 20 years	The straight-line approach complies with Option 3 of the MRP Guidance and the 20 year life is that set out in para 47 of the MRP Guidance.
MRP for service concession contracts	The amount of the MRP charge will be equal to the amount by which the balance sheet liability is written by the unitary charge (i.e. the principal element of the unitary charge)	This complies with para 43 of the MRP Guidance
Asset lives	Asset lives used for MRP calculations will be determined by the Council's RICS-registered valuers, and will be consistent with the depreciation policies set out in the Council's annual Statement of Accounts, and will be kept under regular review. If no life can reasonably be attributed to an asset, such as	This complies with para 42 of the MRP Guidance.

	freehold land, the estimated useful life will be taken to be a maximum of 50 years	
Discount rate for use when applying the annuity method for calculating MRP under Option 3	MRP will be discounted using the PWLB new loan annuity rate applicable on 30 September in the year before MRP commences	The MRP Guidance does not suggest what discount rate(s) to use. By specifying the PWLB new loan annuity rate at 30 September in the year before MRP aligns the discount rate to the middle of the year in which the expenditure is incurred and provides a clearly evidenced trail to the discount rate to be used and reflects the type of borrowing undertaken by the Council.

MRP stream	Policy	Explanation
MRP commencement	MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the statutory Guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational	This approach complies with para 41 of the MRP Guidance
Use of capital receipts to reduce indebtedness	Capital receipts may be applied to reduce the CFR. This means that subsequent year's MRP charges will reduce by the amount of receipts applied. The MRP reduction will be on a straight line basis over 20 years, [unless the capital receipt relates to identifiable MRP charges, in which case the section 151 officer may determine the annual MRP reduction consistent with those MRP charges.]	This approach complies with para 68 of the draft MRP Guidance

18. On the basis of the above MRP Policy, the MRP for the forthcoming financial year (2024/25) would be £27.5m (equivalent to 2.5% of the closing CFR at 31 March 2024) comprising:

MRP element	£m
Legacy MRP	24.0
PFI	1.3
Unsupported capital expenditure for 2023/24	2.2
TOTAL MRP	27.5

19. In amending the MRP Policy for 2023/24 to the above and setting the 2024/25 MRP policy based on the MRP Policy above, this will comply with the Council's duty to set a prudent level of MRP. This MRP Policy is recommended on the basis that work will be

done within the next 12 months to improve the quality of records from the abolished authorities to properly support the use of the asset-life approach underpinning the legacy MRP to:

- ensure improved compliance with the MRP Guidance; and
- transition the new Council to a consistent MRP Policy for all unfinanced capital expenditure.

20. The MRP Policy will be kept under review and updated if necessary in the light of the changes to the Capital Finance Regulations and Statutory MRP Guidance currently being consulted upon by DLUHC.

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Appendix F – Key Prudential Indicators 2024/25

Capital Financing Requirement (CFR)

The CFR essentially measures the Council's underlying borrowing need. Any capital expenditure which is being financed from prudential borrowing will increase the CFR, whereas the annual MRP charge reduces it. The size of the CFR is a major driver of the amount required to be charged to council tax as MRP

The Council's CFR is expected to increase by only £7.9m between 1 April 2024 and 31 March 2027, from £1,079.251m to £1,087.208m. This reflects the combination of:

- reductions to planned capital expenditure,
- less reliance on borrowing to support the capital programme, and
- the assumption that the Capitalisation Direction of £147.9m will be fully funded from capital receipts.

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
CFR at 31 March				
General Fund	895.207	899.456	879.238	855.808
HRA	184.044	198.946	218.451	231.400
Capitalisation Direction	0.000	0.000	7.200	0.000
Total CFR	1,079.251	1,098.402	1,104.889	1,087.208
Annual change				
General Fund		4.249	(20.218)	(23.430)
HRA		14.902	19.505	12.949
Capitalisation Direction		0.000	7.200	(7.200)
Total change	0.000	19.151	6.487	(17.681)
Reason for change				
Net financing		45.356	27.584	18.824
Capitalisation Direction		36.700	67.200	43.900
Less repayment of debt from asset sales		(36.700)	(60.000)	(50.853)
Less MRP		(26.205)	(28.297)	(29.551)
Net financing	0.000	19.151	6.487	(17.680)

External Debt vs the Capital Financing Requirement

The table below confirms that the Council's gross debt is not expected to exceed the total CFR for the current year (2023/24) and future years:

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Gross Projected Debt	733.215	777.095	810.216	820.214
CFR	1,079.251	1,098.402	1,104.889	1,087.208
Under/(Over) Borrowing	346.036	321.307	294.673	266.994

Affordability of capital investment plans

The objective of the affordability indicator is to ensure that the level of investment in capital assets proposed remains within sustainable limits and, in particular, highlights the impact of capital financing costs (i.e. MRP and interest) on the Council's "bottom line". The estimates of financing costs include current commitments and the proposals in the capital strategy.

The affordability is the total of financing costs expressed as a percentage of net revenue streams ie:

- for GF budgets, the total of Council Tax, business rates and government grants, and
- for HRA budgets, annual rental income.

These ratios are shown below.

	2023/24 Forecast £000s	2024/25 Estimate £000s	2025/26 Estimate £000s	2026/27 Estimate £000s
General Fund	9.4%	9.4%	9.0%	8.1%
HRA	45.0%	45.2%	45.5%	45.5%

Appendix G – Flexible use of Capital Receipts Policy for 2024/25

1. Introduction

- This policy outlines the criteria for the flexible use of capital receipts by Somerset Council for the financial year 2024/25.
- The policy is based on the guidelines provided by the UK government for the flexible use of capital receipts.
- The policy aims to ensure that the use of capital receipts is in line with the council's financial objectives and priorities.

2. Criteria for the Flexible Use of Capital Receipts

- Capital receipts can only be used for revenue expenditure if they are received within the timescales that authorities have a Flexible Receipts Strategy.
- Only receipts from Property, Plant, and Equipment (PPE) can be used where the authority ceases to have an interest in the asset.
- The authority must be able to demonstrate that ongoing savings are a result of the application of receipts.
- Discretionary redundancy payments cannot be funded from capital receipts, but statutory redundancy and pension strain payments are allowable.

3. Projects Which Meet the Criteria

- The costs of implementing Local Government Reorganisation Business Case approved by the Secretary of State meet the criteria.
- The projects with the Councils Transformation Programme which includes the 're-sizing' of the council, future workforce transformation, Childrens Service Transformation, Partnerships & Devolution and 'My Life, My Future'.

4. Conclusion

- This policy must be approved by Council and submitted to the Secretary of State.
- A revised strategy may be replaced by another during the year through the same approval process.

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Decision Report - Council Decision

Forward Plan Reference: FP/23/04/05

Decision Date – 20/02/2024

Key Decision – No



Treasury Management Strategy Statement 2024-25

Executive Member(s): Councillor Liz Leyshon – Executive Lead Member for Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan – Executive Director Resources and Corporate Services (Section 151 Officer)

Author: Alan Sanford, Principal Investment Officer

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

Summary

1. This document sets out proposed Treasury Management Strategy (TMS) for Somerset Council for 2024-25. The Council recognises that effective treasury management underpins the achievement of its business and service objectives and is essential for maintaining a sound financial reputation. It is therefore committed to driving value from all of its Treasury Management activities and to employing suitable performance measurement techniques, within the context of effective risk management.
2. This report brings together the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice Revised 2021 Edition (CIPFA TM Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities: Revised 2021 Edition (CIPFA Prudential Code).
3. The Council's current investment portfolio comprises:
 - short-term, cash based investments as set out in Table 2 below
 - a Strategic Pooled Funds Portfolio, currently valued at £116.5m
 - non- Treasury investments comprising commercial property and shareholdings in Council-owned companies.
4. CIPFA's Prudential Code does not require that existing non-Treasury investments, including property, should be sold, but authorities that have an expected need to borrow should review options for exiting these investments

and should summarise the outcomes from such reviews in their annual Treasury Management or Investment Strategies.

5. A review of all non-Treasury investments during 2023/24 has concluded that these do not contribute to the new Council's key objectives going forward, and plans are being developed to dispose of these in an orderly manner which achieves best value for money. Detailed disposal plans are being brought forward for member approval as and when these are developed.
6. Although the value and timings of possible sales are yet to be determined, since the Council is not intending to retain these assets over the longer term and has no plans to acquire similar investments in the future, a separate non-Treasury Investments strategy is not considered necessary at the present time. This Treasury Management Strategy sets out how all cash-based resources will be used and managed during 2024-25.
7. Whilst most of the requirements of the 2018 Department of Levelling Up, Housing, and Communities (DLUHC) Investment Guidance are no longer relevant to cash-based investments (the guidance now overwhelmingly refers to non-treasury investments), it does adhere to DLUHC guidance to prioritise Security, Liquidity and Yield, in that order.
8. As at 30th November 2023, the Council held nearly £700m of debt as part of the strategy for funding previous years' capital programmes. Of this, £138m is short-term borrowing, mostly due to mature within one year, and primarily borrowed from other Local Authorities. £405.7m is Public Works Loan Board (PWLB) debt, £93m is Lender Option Borrower Option (LOBO) debt, and a further £60.5m of fixed rate bank loans.
9. The Council's investment balance as at 30th November 2023 stood at just over £211m. This includes approximately £85m held for either external bodies, or entities where the Council is the accountable or administering body.

Recommendations

10. Full Council is asked to approve the following:
 - To adopt the Treasury Borrowing Strategy and Treasury Investment Strategy for 2024-25 as set out in this report,
 - To adopt the Prudential Treasury Indicators set out in this report, and

- To adopt Appendix A as part of the Councils Financial regulations.

Reasons for recommendations

11. As the TMS is a key element of the Budget Framework it has been considered by the Audit Committee on 25th January 2024 (as set out in paragraph 26) and approved by the Council's Executive on 7th February 2024.

Other options considered

12. None. The adoption of the TMS is a regulatory requirement.

Links to Council Plan and Medium-Term Financial Plan

13. Treasury Management supports the range of business and service level objectives that together help to deliver the Somerset County Plan.

Financial and Risk Implications

14. The budget for investment income in 2024-25 is £6.25m, based on an average investment portfolio of £125m at an average return of 5% (these figures are net of balances held on behalf of third parties). The General Fund budget for debt interest in 2024-25 is £35.7m, based on average borrowing of £740m at an average interest rate of 4.83% (note 5.5% for new debt).
15. There is also additional debt and interest cost charges to the HRA, which are funded mainly from housing rents. If actual levels of investments or borrowing, or actual interest rates, differ from the forecast, performance against budget will be correspondingly different.
16. The debt interest budget includes provision for interest for debt taken under the current Capitalisation Directive, assuming that this is approved. Any debt taken by the Council to finance a Capitalisation Directive must be taken from PWLB and they will charge interest at 1% above published rates.
17. The TMS is the Council's document that sets out strategy and proposed activities to conduct Treasury Management activity while mitigating risks.

Legal Implications

18. Treasury Management must operate within specified legal and regulatory parameters as set out in the summary, and in more detail in the Treasury Management Practices (TMPs).

HR Implications

19. There are no HR implications.

Equalities Implications

20. There are no equalities implications.

Community Safety Implications

21. There are no community safety implications.

Climate Change and Sustainability Implications

22. There are no climate change or sustainability implications.

Health and Safety Implications

23. There are no health and safety implications.

Health and Wellbeing Implications

24. There are no health and wellbeing implications.

Social Value

25. Not applicable

Scrutiny comments / recommendations:

26. The Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. It is currently anticipated that this TMS will be presented to the Committee for review on 25 January 2024. The Audit Committee is also responsible for monitoring the implementation of Treasury Management policies and activity, once agreed.

Background papers

- Local Government Act 2003 – Guidance under section 15(1)(a) 3rd Edition, effective from 1 April 2018.
- CIPFA ‘Treasury Management in the Public Services’ Code of Practice 2021.
- The CIPFA Prudential Code for Capital Finance in Local Authorities 2021.

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

Appendices

Appendix A – Treasury Management Policy Statement

Appendix B – Somerset Council Lending Counterparty Criteria 2024-25

Appendix C – Arlingclose Economic Outlook & Interest Rate Forecast

Appendix D – Borrowing and Cash levels 1st April 2023 to 31 December 2023

Report Sign-Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	29/01
Communications	Peter Elliot	29/01
Finance & Procurement	Jason Vaughan	08/01
Workforce	Alyn Jones	29/01
Asset Management	Oliver Woodhams	25/01
Executive Director / Senior Manager	Jason Vaughan	08/01
Strategy & Performance	Alyn Jones	29/01
Executive Lead Member	Liz Leyshon	25/01
Consulted:	Councillor Name	
Local Division Members	N/A	
Opposition Spokesperson	Mandy Chilcott	25/01
Scrutiny Chair	Bob Filmer	29/01
Audit Chair	Mike Hewitson	25/01

Background and Introduction

27. Treasury Management is the administration of cash flows, borrowing and treasury investments, and the management of associated risks. The Council has significant debt and investment portfolios and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. Successful identification, monitoring and control of such risks is a key component of sound financial management.
28. Treasury Management at the Council is conducted within the framework of the CIPFA Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA TM 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 TM Code.
29. Within the Code, the section, 'Prudence in borrowing and investment' is the key update to the code. It states "legitimate examples of prudent borrowing" as:
- financing capital expenditure primarily related to the delivery of 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 adjusting levels of internal borrowing, to manage risk, reduce costs or reflect changing cash flow circumstances, and
 - other treasury management activity that seeks to prudently manage treasury risks without borrowing primarily to invest for financial return.
30. The CIPFA Prudential Code determines that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment. Therefore, in order to comply with the CIPFA Prudential Code, an authority must not borrow to invest primarily for financial return. It is also not considered prudent for local 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. Any expected financial return should either be

directly related to the financial viability of the project in question or otherwise incidental to the primary purpose of the scheme.

31. Under Section 3 of the Local Government Act 2003 (duty to determine affordable borrowing limit), a Local Council must have regard to the CIPFA Prudential Code. This code requires the setting of a number of Prudential Indicators, benchmarks within which Treasury and Investment Management, and Capital Financing are managed. The setting of Prudential Indicators for Treasury Management requires Authorities to recognise key implications of their borrowing and investment strategies. These relate to the affordability of overall borrowing limits, the maturity structure of borrowing, and longer-term investments.
32. In formulating the Treasury Management Strategy, and the setting of Prudential Indicators, the Council adopts the Treasury Management Framework and Policy recommended by CIPFA. These can be found in **Appendix A**.

External Context

33. The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's treasury management activity for 2024-25.
34. The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this through to December. At the December meeting, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.
35. Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down 0.7% from the previous month and below expectations of 4.3%. Looking ahead, using the interest rate path implied by financial markets, the BoE expects CPI inflation to continue falling, but taking until early 2025 to reach the 2% target.
36. ONS figures showed the UK economy shrank by 0.3% between July and September 2023. The BoE forecasts GDP will likely increase modestly by 0.1% in Q4, a deterioration in the outlook compared to the August Monetary Policy

Report (MPR) from the BoE. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

37. The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth remained strong, with regular pay (excluding bonuses) up 7.8% over the period and total pay (including bonuses) up 8.1%. Adjusted for inflation, regular pay was 1.1% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2024, but then rising steadily over the forecast horizon to around 5% in late 2025 to early 2026.
38. Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve paused in September, November, and December, maintaining the Fed Funds rate target at this level. It is likely this level represents the peak in US rates, but central bank policymakers emphasised that any additional tightening would be dependent on the cumulative impact of rate rises to date, together with inflation and developments in the economy and financial markets.
39. Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.9% in October 2023. Economic growth has been weak, and GDP was shown to have contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has been increasing rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.
40. Although UK inflation and wage growth remain elevated, the Council's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early to mid-2026.
41. Arlingclose expects long-term gilt yields to eventually fall from current levels (amid continued volatility) reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty

and events. An economic and interest rate forecast provided by Arlingclose is attached at **Appendix C**.

Local Context

42. As at 30th November 2023 the Council's external long-term debt portfolio stood at just under £700m as in **table 1** below. However, it is expected that there will be a further borrowing need of up to £110m before 31st March 2024. This is because of repaying monies owed to NHS Somerset in December (£42m) refinancing maturing loans (£49m) and reduced Council Tax income in February and March, as many households opt to pay over 10 months.

Table 1 – Debt Portfolios as at 30th November 2023

	HRA Balance £m	HRA Rate %	General Fund Balance £m	General Fund Rate %	Total Balance £m	Total Rate %
Local Authority	0.0	0.0	138.0	4.6	138.0	4.6
PWLB	145.9	2.9	259.9	3.9	405.7	3.6
Fixed rate	0.0	0.0	93.0	4.8	93.0	4.8
LOBOs	3.0	4.3	57.5	4.7	60.5	4.7
Total	148.9	3.6	548.3	4.3	697.2	4.0

43. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while useable reserves and working capital are the underlying resources available for investment. Statutory guidance is that debt should remain below the CFR, except in the short-term.

44. The investment portfolio set out in **Table 2** below, stood at just over £211m at 30 November 2023, although just over £85m of this total was cash held on behalf of other entities, primarily where Somerset Council is the accountable / administering body.

Table 2 - Investment Portfolios as at 30th November 2023

	Call / Notice A/cs	Money Market Funds	Time Deposits / CDs - Banks	Time Deposits - LAs	Strategic Funds	Total
Balance £m	20.0	69.5	0.0	5.0	116.5	211.0
Rate %	5.4	5.4	0.0	4.8	4.8	5.0

45. As explained in the Capital Strategy, it is currently estimated that £166.8m of new borrowing will be necessary between 1 April 2024 and 31 March 2027 to finance:

- proposed capital investment plans (£91.7m), and
- the Council's current Capitalisation Direction request to DLUHC (£70.1m).

46. CIPFA's Prudential Code recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Although timings of actual cash outflows are not totally predictable, **Table 3** below demonstrates that the Council expects to comply with this recommendation in 2023/24 and in each of the following three financial years.

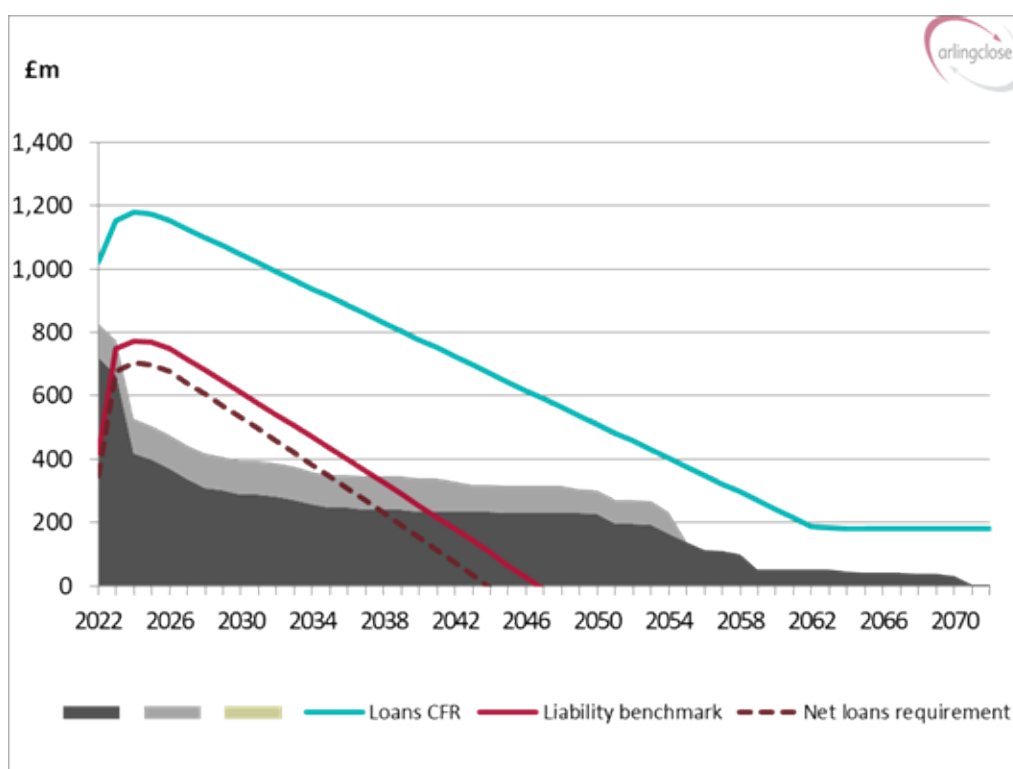
Table 3 - External Debt and the Capital Financing Requirement (CFR)

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Gross projected debt	823.2	867.1	893.0	939.7
CFR	1,079.3	1,098.4	1,097.7	1,116.9
Under/(Over) Borrowing	256.1	231.3	207.7	177.2

Liability Benchmark

47. 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 **Table 3** above, but that cash and investment balances are kept to a minimum level of £75m to maintain sufficient liquidity but minimise credit risk.
48. Following on from the medium-term forecasts in **Table 3** above, the long-term liability benchmark is shown in the chart below together with the maturity profile of the Council's existing borrowing:

Liability Benchmark Graph



49. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.
50. The concept is that the chart allows a comparison of current borrowing against the need to borrow, looking at both the amount (on the y axis) and the term (on the x axis). Where actual loans exceed the Liability Benchmark, the authority can make long-term investments for cash flow management or repay loans early; where the Liability Benchmark exceeds loans, the authority can take long-term borrowing or sell investments.
51. There is no requirement to borrow exactly to the Liability Benchmark, but a decision to borrow more or less, or longer or shorter, than the Liability Benchmark implies a deliberate decision to accept additional risk. This may be entirely appropriate if it is accompanied by a reduction in cost, for example through short-term borrowing at lower margins. The Liability Benchmark provides the tool for local authorities to measure this risk and make such risk/reward decisions openly and explicitly.
52. These factors represent significant cash flow, and debt and investment portfolio management for the Council's Officers. In the current financial and economic environment and taking into account potential influencing factors, it is imperative that the Council has strategies and policies in place to manage flows and balances effectively. The strategies and policies herein state the objectives of Treasury Management for the year and set out the framework to mitigate the risks to successfully achieve those objectives.

Borrowing Strategy

53. The Council's need to borrow for capital purposes is determined by the capital programme. Council Members are aware of the major projects identified by the Capital Strategy and the medium-term financial plan (MTFP). The Council currently (as at 22 December 2023) holds £727.2m of loans, as part of its strategy for funding previous years' capital programmes. The forecasts in Table 3 above shows that the Council will have a need to borrow c£166.8m over the next three years.

54. 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.
55. Given the significant cuts to public expenditure and in particular to 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. The strategy would therefore be to refinance or take any required new debt whilst balancing the needs of budgets and introducing the least possible risk into the long-term debt portfolio.
56. The key drivers of borrowing strategies will be the detail of the disposal of assets within the non-treasury investment portfolio, and any disinvestment of pooled funds. Therefore, debt for the General Fund will initially be taken mainly in shorter periods, from 1 to 5 years (HRA funding may differ). This will help provide sufficient flexibility so that debt can be paid down as and when non-treasury investments are sold, or holdings in strategic pooled funds are liquidated. Secondly, as interest rates are predicted to fall over the next couple of years, it gives the opportunity to refinance maturing debt at a lower rate.
57. Borrowing rates are expected to remain reasonably level (aside from volatility) in the coming months, before reducing from late 2024 (see forecasts in **appendix C**). It may be most cost effective in the short-term to either use internal resources or to borrow short (1-3 years) via the local authority market. These options will be pursued but might not be too fruitful as capacity for internal borrowing has reduced as investment balances are already significantly reduced, and many local authorities are cautious about others they lend to because of news of financial issues.
58. The Council has previously raised most of its long-term borrowing from the PWLB or via LOBOs with banks. Current policy is not to take further LOBO loans. The Council will continue to assess alternatives to borrowing long-term loans from other sources including banks, pension funds and local authorities, and may wish to investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA TM Code.
59. The Council may also 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.

60. The use of Call Accounts and Money Market Funds (MMFs) will continue for short-term liquidity; however, it may be appropriate and/or necessary to borrow short-term (1 week to 3 months) to cover cash flow fluctuations. Where this is deemed advantageous, short-term funds will be obtained from the money market using the services of a panel of money market brokers.

Sources of borrowing

61. Approved sources of borrowing are cited in the TMPs. Since PWLB rates were reduced in December 2020, commercial lenders' offerings are less attractive than previously, but this option will still be sought and considered.
62. Variable rate loans currently mitigate the cost of carry. Shorter-dated Equal Instalment of Principal (EIP) loans can be cheaper than loans paid on maturity and are repaid systematically in equal instalments over their life. Both will be actively considered, as will shorter dated loans (1-3 years) from other Local Authorities.
63. No new borrowing will be in the form of LOBOs. Interest rates having risen and there remains a possibility that lenders will exercise their options. The Council will continue with the current policy not to accept any option to pay a higher rate of interest on its LOBO loans and will exercise its own option to repay the loan should a lender exercise an option. This would reduce refinancing risk in later years.
64. The Council will also investigate opportunities to repay where a lender is looking to exit the LOBO by selling the loan. This would be undertaken in conjunction with our treasury advisors. The Council may utilise cash resources for repayment or may consider replacing any loan(s) by borrowing from other sources. Depending on prevailing rates and the amount to be repaid, new loans might be taken over a number of maturities. The 'Maturity Structure of Borrowing' indicators have been set to allow for this contingency strategy.

Debt rescheduling

65. The PWLB 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 relative to the rate of the loan. 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.

66. The rise in interest rates means that more favourable debt rescheduling opportunities may arise than in previous years, however no specific debt rescheduling opportunities are being considered at the present time.

Treasury Investment Strategy

67. There has been a review of all Pooled Funds, and whilst it has been decided to substantially reduce the amalgamated portfolio, it has not yet been definitively decided what, if any holdings it may be appropriate to retain, both in size, and diversification.
68. As minimising debt has been a Council priority during 2023, and the fact that to 1st December about £90m of money held on behalf of the Somerset NHS has been repaid, investment balances have reduced significantly. Total investment balances as at 30th November were just over £211m, of which £116.5 was pooled funds. Cash balances of nearly £95m included just over £85m of cash held on behalf of other entities, £42m of which was repaid in early December.
69. There is little further capacity for passive borrowing, i.e. internal borrowing to fund capital expenditure, and balances are being minimised to provide monthly working capital. It is envisaged that balances will be kept minimal throughout 2024-25 in order to minimise debt.

Objectives

70. 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.
71. 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 Council aims to be a responsible investor and will consider environmental, social, and governance (ESG) issues when investing.

Strategy

72. As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. As a result of the review of strategic pooled funds, there will be disinvestment from this portfolio. The scale, timing, and identification of individual funds to be sold will depend on market conditions, potential gains or losses, and diversification.

ESG policy

73. ESG (Environmental, Social, and Governance) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. The Council will look to develop a more effective ESG policy as this area develops.

Business models

74. 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 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.

Implementation

75. The Executive Director Resources and Corporate Services (Section 151 Officer) under delegated powers set out in the Council's Constitution will undertake the most appropriate form of investment management in keeping with the contents of this Strategy following its approval by elected members and in particular with its investment objectives, income and risk management requirements and Prudential Indicators.
76. The Executive Director Resources and Corporate Services (Section 151 Officer) in turn delegates responsibility for implementing this agreed policy to Treasury Management Officers. This is done by using only the agreed investment instruments, and credit criteria below and as set out in **Appendix**

B. As is current procedure, the use of a new instrument or counterparty would be proposed in conjunction with the Council's Treasury Advisors, Arlingclose and specifically authorised by the Executive Director Resources and Corporate Services (Section 151 Officer).

Approved Investments

77. The list below shows currently approved instruments, with a brief description of current and potential investment instrument characteristics underneath.

- Business Reserve Accounts and term deposits.
- Deposits with other Local Authorities.
- Low Volatility Net Asset Value (LVNAV) Money Market Funds
- The Debt Management Office (DMO)
- Variable Net Asset Value (VNAV) Money Market Funds.
- Gilts and Treasury Bills.
- Certificates of Deposit with Banks and Building Societies
- Building Societies – Including unrated Societies with better creditworthiness than their credit rated peers.
- Covered Bonds and Reverse Repurchase Agreements (Repos) present an opportunity to invest short-term with banks on a secured basis and hence be exempt from bail-in
- Pooled Funds. As stated previously, holdings in these investments will be reduced rather than added to, but nonetheless are approved for use during the year.

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.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in.

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 may be made in unlimited amounts for up to 50 years.

Pooled Funds: Shares or units in diversified investment vehicles. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Credit outlook

78. Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent, and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.
79. Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.
80. Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.
81. There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets. However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Approved counterparties – Credit Rated

82. The Council maintains a restricted list of financial institutions to be used as counterparties, and in accordance with the credit criteria set out in **appendix B**. Any proposed additions to the list must be approved by the Executive Director Resources and Corporate Services (Section 151 Officer).

Approved counterparties – Non-Credit Rated

83. As investment decisions are never made solely based on credit ratings, and some institutions may not have ratings at all, account will be taken of any relevant credit criteria in **appendix B**, and any other relevant factors including advice from our treasury advisors for the approval of individual institutions. Again, this will be specifically authorised by the Executive Director Resources and Corporate Services (Section 151 Officer).

Credit rating

84. The Council has constructed and will maintain a counterparty list based on the criteria set out in **appendix B**. The minimum credit quality is proposed to be set at A- or equivalent. The credit standing of institutions (and issues if used) will be monitored and updated on a regular basis.
85. The Council will continuously monitor counterparties creditworthiness. All three credit rating agencies' websites will be visited frequently, and all ratings of proposed counterparties will be subject to verification on the day of investment (DLUHC guidance states that a credit rating agency is one of Standard & Poor's, Moody's Investor Services Ltd, and Fitch Ratings Ltd). All ratings of currently used counterparties will be reported to the regular treasury management meeting, where proposals for any new counterparties will be discussed.
86. New counterparties must be approved by the Executive Director Resources and Corporate Services (Section 151 Officer) before they are used. Any changes to ratings that put the counterparty below the minimum acceptable credit quality whilst we have a deposit, or a marketable instrument will be brought to the attention of the Executive Director Resources and Corporate Services (Section 151 Officer) immediately, and an appropriate response decided on a case-by-case basis. Sovereign credit ratings will be monitored and acted on as for financial institution ratings. Investment limits are set by reference to the lowest published long-term credit rating from the three rating

agencies mentioned above. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Other information on the security of investments

87. 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 those outlined below.
- Credit Default Swaps and Government Bond Spreads.
 - GDP and Net Debt as a Percentage of GDP for sovereign countries.
 - Likelihood and strength of Parental Support.
 - Banking resolution mechanisms for the restructure of failing financial institutions, i.e. bail-in.
 - Market information on corporate developments and market sentiment towards the counterparties and sovereigns.
 - Underlying securities or collateral for 'covered instruments'
 - Other macroeconomic factors
88. It remains the Council's policy to suspend or remove institutions that still meet criteria, but where any of the factors above give rise to concern. Also, when it is deemed prudent, the duration of deposits placed is shortened or lengthened, depending on counterparty specific metrics, or general investment factors.
89. 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 may cause a reduction in the level of investment income earned but will protect the principal sum invested.

Investment limits

90. Investment limits are set out in **appendix B**. In setting criteria in appendix B, account is taken of both expected and possible balances, the availability and accessibility of the various instruments to be used, and their security, liquidity, and yield characteristics.

Liquidity management

91. The Council uses purpose-built cash flow forecasting software 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.

Treasury Management Prudential Indicators

92. The Council measures and manages its exposures to Treasury Management risks using specific Prudential Indicators which are set out below and should be adopted as per the recommendations set out in this report:
- The Authorised Limit and Operational Boundary,
 - The Maturity Structure of Borrowing,
 - Principal sums invested for periods longer than a year, and
 - Credit Risk Indicators
93. Other Prudential Indicators which relate primarily to capital investment and capital funding are set out in the Capital Strategy.

Authorised limit and Operational Boundary

94. The Council is required to set an authorised limit and an operational boundary for managing external debt. The authorised limit is the maximum external debt (net of investments) that may be incurred in the specified years. The operational boundary differs from the authorised limit in that it is based on expectations of the maximum external debt according to probable, not all possible events. The operational boundary has been set to be in line with the CFR and is therefore consistent with the maximum level of external debt projected in the Capital Strategy.

Table 4 – Operational Debt Boundary and Authorised Debt Limit*

	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m	2026/27 limit £m
Operational boundary:				
Borrowing	1,004.4	950.0	980.0	1,030.0

PFI	79.3	35.0	33.0	32.0
Operational boundary – total debt	1,083.8	985.0	1,013.0	1,062.0
Authorised limit:				
Borrowing	1039.4	1,000.0	1,030.0	1,080.0
PFI	84.3	35.0	33.0	32.0
Authorised limit- total debt	1,123.7	1,035.0	1,063.0	1,112.0

*Includes borrowing for both General Fund and HRA

Maturity Structure of Borrowing

95. The Council has set for the forthcoming year, both the upper and lower limits with respect to the maturity structure of its borrowing. The calculation is the amount of projected borrowing maturing in each period, expressed as a percentage of the total projected borrowing. CIPFA TM Code guidance for the ‘maturity structure’ indicator states that the maturity of LOBO loans should be treated as if their next option date is the maturity date.
96. The ‘maturity structure of borrowing’ indicators have been set with regard to this and having given due consideration to refinancing the significant short-term debt that will mature, possible new borrowing, current interest rate expectations, and the possibility of rescheduling or prematurely repaying loans outlined in the borrowing strategy. The bands and limits give the required flexibility to be able to deliver the borrowing strategy in any of the challenging scenarios that may evolve. The only change to last year is that the >12 months and within 24 months upper limit has been raised by 5%.
97. Proposed limits are:

	Upper Limit	Lower Limit
Under 12 months	50%	15%
>12 months and within 24 months	30%	0%
>24 months and within 5 years	25%	5%
>5 years and within 10 years	25%	0%
>10 years and within 20 years	25%	0%
>20 years and within 30 years	20%	0%
>30 years and within 40 years	30%	10%
>40 years and within 50 years	15%	0%
>50 years	5%	0%

Long-term treasury management investments

98. 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.
99. The prime policy objectives of local authority investment activities are the security and liquidity of funds, and authorities should avoid exposing public funds to unnecessary or unquantified risk. Authorities should consider the return on their investments; however, this should not be at the expense of security and liquidity. It is therefore important that authorities adopt an appropriate approach to risk management with regards to their investment activities.

	2024-25	2025-26	2026-27
	£m	£m	£m
Prudential Limit for principal sums invested for periods longer than 1 year	120	120	120

100. Long-term investments with no fixed maturity date include strategic pooled funds but exclude Money Market Funds and bank accounts with no fixed maturity as these are considered short-term. As the combined Council already holds a portfolio of £116.5m of pooled funds, a prudential indicator of slightly more than this amount is deemed necessary for all years, to allow for deposits slightly over 1 year's duration. This should reduce over time, due to disinvestment of this portfolio, but exact amounts and timings are not known at this time. The sums indicated in this indicator do not include any investment in non-Treasury Investments covered by a separate Investment Strategy.

Credit Risk Indicator

101. The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating / credit score of its in-house investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk (in conjunction with Arlingclose) and will be calculated quarterly.

Credit risk indicator	Target
Portfolio average credit rating (score)	A (6.0)

Liability Benchmark

102. A new Prudential Indicator, the Liability Benchmark was introduced in 2023-24. Whilst it gives no specific numbers as benchmarks, it is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.
103. The liability benchmark informs both borrowing and investment decisions and is outlined in paragraphs 47-52 above.

Derivative Instruments

104. As part of its published TM strategy, the Council must explicitly state whether it plans to use derivative instruments to manage risks. 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).
105. At present the Council does not intend to use derivatives. Should this position change, the Council would seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require Full Council approval.

External Service Providers

106. The Code states that the use of external service providers should be reviewed regularly and that services provided are clearly documented, and that the quality of that service is controlled and understood.
107. The Council recognises, as per CIPFA guidance, that, "the overall responsibility for treasury management must always remain with the Council". So as not to place undue reliance on treasury advisors and other external services, the council has always sourced its own information, performed its own analysis of market and investment conditions, and the suitability of counterparties. It continues to do so through embedded practices, thereby maintaining the skills of the in-house team to ensure that services provided can be challenged, and that undue reliance is not placed on them.

Member Training

108. All public service organisations should be aware of the growing complexity of treasury management in general, and its application to the public services in particular. Modern treasury management, and particularly non-treasury investments demand appropriate skills.
109. All Council Members receive introductory training, which includes an overview of the treasury management function. Council Officers would be able and willing to provide a more detailed level of training, if Councillors thought that there would be no conflict of interest.
110. Through contacts with the CIPFA Treasury Management Forum and its independent Treasury Advisors, The Council could also facilitate training via an independent third party. Officers also have contacts within a number of money market brokers and fund managers who could provide training if required. Alternatively, information sheets could be prepared and made available to help keep members abreast of current developments.

Markets in Financial Instruments Directive II (MiFID II)

111. As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could “opt up” to professional client status, providing certain criteria was met. This included having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the Council have at least a year’s relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved. Each regulated Financial Services firm undertakes a separate assessment with ongoing compliance.
112. The Council continues to meet the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. As a result, the Council will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

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Treasury Management Policy Statement

Introduction and Background

The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA TM Code), as described in Section 5 of the Code.

The Council will create and maintain, as the cornerstones for effective treasury and investment management:

- A treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- Investment management practices (IMPs) for investments that are not for treasury management purposes.

The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the CIPFA TM Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the CIPFA TM Code's key principles.

The Council (i.e. Full Council) will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs and IMPs.

The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Executive and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement, TMPs and IMPs, and

if they are a CIPFA member, CIPFA's Standard of Professional Practice on treasury management.

This organisation nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Policies and Objectives of Treasury Management Activities

The Council defines its treasury management activities as:

“The management of the organisation’s borrowing, investments and cash flows, including 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.”

This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The Council’s borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Council transparency and control over its debt.

The Council’s primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council’s investments followed by the yield earned on investments remain important but are secondary considerations.

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Somerset Council Lending Counterparty Criteria 2024-25

The following criteria will be used to manage counterparty risks to Somerset Council investments for new deposits / investments from 1st April 2024.

Please note that the limits in this appendix apply only to Treasury Management Investments, not to those detailed in the separate Investment Strategy.

Where deposits held were made under previous criteria, there will be no compulsion to terminate those deposits to meet new criteria, where a penalty would be incurred.

Deposits

Any Financial Institution that is authorised by the Prudential Regulation Authority to accept deposits in the UK or is a UK Building Society can be lent to, subject to the rating criteria below at the time of the deposit.

Unrated Building Societies

Unrated Building Societies as identified by Treasury Advisors can be used, with a maximum of £1m per Society and a maximum maturity of 1 year.

Marketable Instruments – Any bank, other organisation, or security whose credit ratings satisfy the criteria below: -

Rating of Counterparty or Security

Deposits or instruments of less than 13 months duration (refer to long-term ratings)

Fitch A- or above

S&P A- or above

Moody's A3 or above

The maximum deposit / investment amount for any authorised counterparty or security that has as a minimum at least two ratings of the three above will be £15m (Reduced by £5m from 2023-24). This is approximately 5.4% of average investment balances, or 9.4% of average cash balances up to 30th November. The % may be significantly less if borrowing up to the CFR is taken early in the year.

The allowed deposit amounts above are the single maximum per counterparty at any one time, and that counterparty or security must be rated as above or better by at least two of the three agencies. Short-term ratings will be monitored and considered in relative rather than absolute terms.

It remains the Council's policy to suspend or remove institutions that still meet criteria, but where any of the other factors below give rise to concern. Also, when it is deemed prudent, the duration of deposits placed is shortened or lengthened, depending on counterparty specific metrics, or general investment factors. Where deposits held were made under previous criteria, there will be no compulsion to terminate those deposits to meet new criteria, where a penalty would be incurred.

Operational Bank Accounts

As the Council's current bankers, Nat West are currently within the minimum criteria. If they should fall below criteria, the instant access Call Account facility may still be used for short-term liquidity requirements and business continuity arrangements. This will generally be for smaller balances where it is not viable to send to other counterparties or in the event of unexpected receipts after the daily investment process is complete. Money will be placed in the instant access Nat West call account overnight.

Public Sector Bodies

Any UK Local Authority or Public Body will have a limit of £10m (Reduced by £5m from 2023-24) and a maximum maturity of 2 years.

The UK Government, including Gilts, T-Bills, and the Debt Management Office (DMADF) will be unlimited in amount and duration.

The table below gives a definition and approximate comparison of various ratings by the three main agencies: -

Definitions of Rating Agency Ratings

	Fitch		Moody's		S&P
Short-Term	F1+ Exceptionally strong	P-1	Superior	A-1+	Extremely strong
	F1 Highest quality			A-1	Strong
	F2 Good quality	P-2	Strong	A-2	Satisfactory
	F3 Fair quality	P-3	Acceptable	A-3	Adequate
	B Speculative	NP	Questionable	B and below	Significant speculative characteristics
	C High default risk				
	(+) or (-)	(1,2, or 3)		(+) or (-)	
Long-Term	AAA Highest quality	Aaa	Exceptional	AAA	Extremely strong
	AA V High quality	Aa	Excellent	AA	Very strong
	A High quality	A	Good	A	Strong
	BBB Good quality	Baa	Adequate	BBB	Adequate capacity
	BB Speculative	Ba	Questionable	BB and below	Significant speculative characteristics
	B Highly Speculative	B	Poor		
	CCC High default risk	Caa	Extremely poor		

Financial Groups

For Financial Groups (where two or more separate counterparties are owned by the same eventual parent company) investments can be split between entities, but an overall limit equal to the highest rated constituent counterparty within the group will be used.

Country Limits

Excluding the UK, there will be a limit of £20m collectively to all organisations domiciled in one Sovereign Country (Reduced by £10m from 2023-24). This is approximately 7.2% of average investment balances, or 12.6% of average cash balances up to 30th November. The % may be significantly less if borrowing up to the CFR is taken early in the year.

Money Market Funds

Any LVNAV Money Market Fund used must be rated by at least two of the main three ratings agencies and must have the following ratings.

Fitch AAmmf

Moody's Aaa-mf

Standard & Poor's AAAM

Subject to the above, deposits can be made with the following limits: -
The lower of £15m or 0.5% of the total value for individual Funds.

VNAV and other Pooled Funds

As a result of the review of strategic pooled funds, there will be disinvestment from this portfolio. The scale, timing, and identification of individual funds to be sold will depend on market conditions, potential gains or losses, and diversification.

It may be decided that a percentage of pooled funds are retained to provide diversification should cash interest rates fall significantly again. Whilst it is difficult to state absolute or percentage limits at present, amounts would be in relation to core balances and reserves and will be significantly below levels currently held.

Other Indicators

The Council will continue to use a range of indicators, not just credit ratings. Among other indicators to be taken into account will be:

- Credit Default Swaps and Government Bond Spreads.
- GDP, and Net Debt as a Percentage of GDP for sovereign countries.
- Likelihood and strength of Parental Support.
- Banking resolution mechanisms for the restructure of failing financial institutions, i.e. bail-in.
- Share Price.
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.
- Underlying securities or collateral for covered instruments.
- Other macroeconomic factors

Arlingclose Economic Outlook & Interest Rate Forecast

Interest rate forecast

The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.

The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second round effects. We see rate cuts from Q3 2024 to a low of around 3% by early to mid-2026.

The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.

Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.28	4.35	4.30	4.25	4.10	4.00	3.75	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.32	4.40	4.35	4.30	4.25	4.15	4.00	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.78	4.70	4.65	4.55	4.45	4.35	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.38	4.30	4.25	4.20	4.15	4.15	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

Underlying assumptions

UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.

The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.

Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.

Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.

Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable that the risk of further 'second round' effects has diminished.

Maintaining monetary policy in restrictive territory for so long when the economy is already struggling, will require significant loosening in the future to boost activity.

Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the

narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.

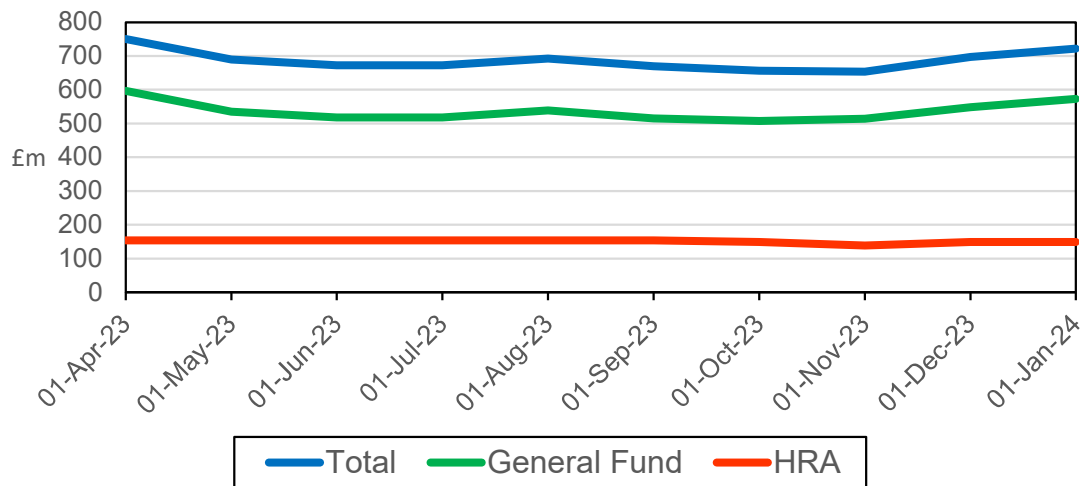
There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

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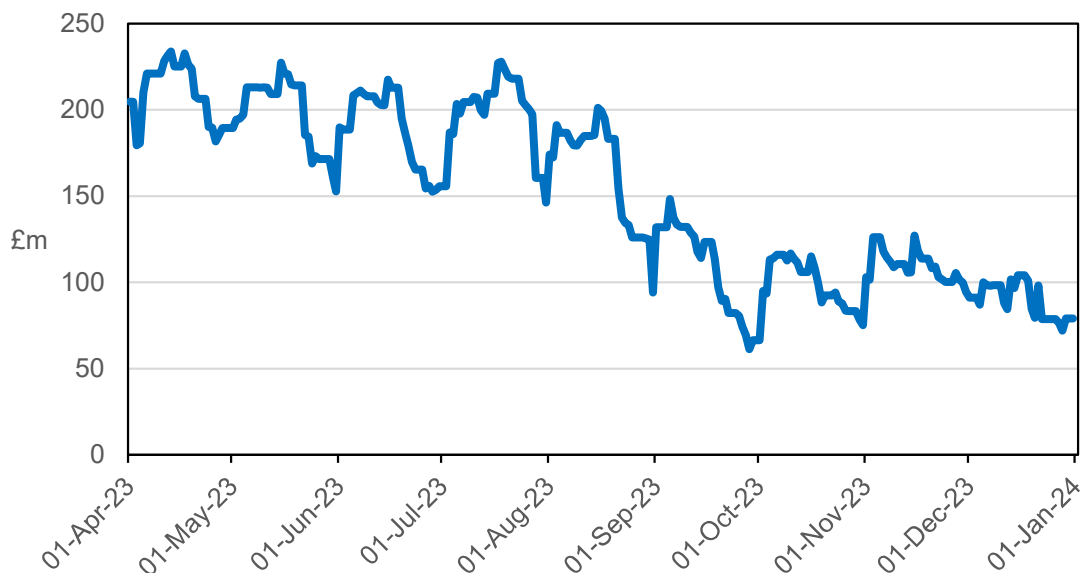
Borrowing and Cash levels 1st April 2023 to 31 December 2023

Due to the process of becoming a unitary council it is not possible to provide comparable data prior to 1st April 2023.

Somerset Council Borrowing



Somerset Council Cash



Cash includes Money Market Fund holdings, bank call accounts, bank deposits and Local Authority deposits. It excludes strategic investment funds.

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Somerset Council

Full Council

20 February 2024



2024/25 General Fund Capital Budget

Executive Member: Councillor Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan, Executive Director – Resources and Corporate Services (s.151 Officer)

Author: Nicola Hix, Director of Finance and Performance

Contact Details: nicola.hix@somerset.gov.uk ian.trunks@somerset.gov.uk

Summary

1. To set out for the Executive consideration and recommendation to Council the proposed General Fund Capital budget for 2024/25.
2. Somerset Council has had to carry out a review of its current capital programme during this period of austerity, with a view to reducing external borrowing and maximising external sources to fund a significant proportion of expenditure. For the current 2023/24 capital programme (at the end of December 2023), approximately 62% of expenditure was externally funded with the remaining 38% funded by capital receipts and other local resources.
3. Where expenditure is funded from local resources, this impacts the revenue budget in one of three ways:
 - a reduction in existing reserves;
 - increased capital financing costs (e.g. interest and MRP) as a result of prudential borrowing; and
 - the need for direct contributions to schemes from the revenue budget.
4. Significant work has been undertaken across the Council to review its current capital programme. This included schemes carried forward from the continuing authority Somerset County Council and the four legacy District Councils, and those approved as new schemes for 2023/24. New schemes proposed by services for 2024/25 and beyond have also been subject to review as outlined in this report.

5. This report details suggested amendments to the current capital programme for 2023/24, and a recommended capital programme for 2024/25 and beyond. Executive will be asking Full Council to approve these changes to the General Fund capital in February 2024.

Recommendations

6. That Full Council:
 - a) Approve the removal of the already approved schemes as detailed in Appendix A,
 - b) Approve the revised capital programme for 2024/25 as detailed in Appendix B,
 - c) Approve the inclusion of the new capital bids for 2024/25 onwards as detailed in Appendix C for inclusion in the programme.

Reasons for recommendations

7. To ensure that the Council has an affordable and financially sustainable capital programme for 2024/25 and meet its statutory duties.

Other options considered

8. As this is an update report on progress in reducing the current capital programme and those capital bids submitted recommended to approve for 2024/25 to be added to the programme.

Links to Council Plan and Medium-Term Financial Plan

9. It is important the Council considers how best it can continue to meet its policy objectives within the tighter financial constraints that it now faces. This requires a level of prioritisation, and the budget plans focus on the following key policy outcomes, as set out in the Council's five-year plan.
 - A Healthy and Caring Somerset;
 - A Flourishing and Resilient Somerset;
 - A Greener, More Sustainable Somerset;
 - A Fairer, Ambitious Somerset.
10. The Council continues to maintain a significant capital programme, resulting in investment in assets to support and enable the provision of local services and delivering benefits to the economy.

Financial and Risk Implications

11. Quarterly capital budget monitoring reports will be considered at the Executive and Scrutiny Committee meetings to provide member oversight, transparency and assurance on management actions.
12. In the initial stages of any development, major capital projects will have significant uncertainties. For example, these may relate to the planning process, the views and interest of residents and stakeholders who must be consulted, ground conditions, or the costs of rectifying or demolishing existing buildings. Construction companies and developers contracting with the Council which experience financial instability, particularly an issue following Post Covid-19 pandemic pressures, Brexit and the war in Ukraine and the impact of cost inflation with as mentioned CPI at 4.0 % in December 2023.
13. Suppliers may not be able to raise sufficient finance to cash flow operations, any potential insolvency process could lead to a costly process of changing suppliers without any guarantee of remaining within overall budget. Consequently, the Council could suffer direct financial loss and any defects or other issues may not be resolvable as anticipated. To mitigate this the Council carefully considers the financial robustness of any contractor and requests appropriate financial standing assurance and support wherever possible.
14. Large scale capital projects can operate in environments which are complex, with a range of variables, and continually evolving. Effective risk identification and control within such a dynamic environment includes populating a project risk register. In addition, it requires amplifying the known risks so that they are not hidden or ignored, demystifying the complex risks into their more manageable sum of parts and anticipating emerging risks which can escalate rapidly are all necessary components of good capital programme risk management. Within the infrastructure and transport, and asset management team, staff with skills and expertise in project management are employed to manage the Council's major civil engineering and construction schemes.

Legal Implications

15. There are no specific legal implications arising from this report.

HR Implications

16. There are no specific HR implications arising from this report.

Other Implications:

Equalities Implications

17. The impact of setting a budget will have specific implications on those protected under the Equality Act 2010. The Council's budget planning framework is supported by the development of Equality Impact Assessments (EIAs) for the budget proposals, identifying possible disproportionate impact in relation to the protected characteristics as described within the Equality Act 2010. The EIAs will also identify potential mitigation where applicable. Individual equality impact assessments form part of the decision making on the specific proposals needed to balance the budget in February 2024.

Community Safety Implications

18. There are no direct community safety implications arising from this report.

Climate Change and Sustainability Implications

19. There are no direct climate change and sustainability implications arising from this report.

Health and Safety Implications

20. There are no direct health and safety implications arising from this report. Any specific health and safety implications will be identified within the supporting information for proposals being considered by Executive and Full Council in February 2024.

Health and Wellbeing Implications

21. There are no direct health and wellbeing implications arising from this report.

Social Value

22. There are no direct Social Value implications arising from this report. Any specific social value implications will be identified within the supporting information for included as part of the proposals being considered by Scrutiny, Executive and Full Council in February 2024.

Background

23. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential code requires local authorities to produce a capital strategy to demonstrate how capital expenditure, capital financing and treasury management activities contribute to the provision of desired outcomes and take account of stewardship, value for money, prudence, sustainability, and affordability. The Capital Strategy also includes the arrangements for capital investment in the Housing Revenue Account.
24. The Prudential Code for Capital Finance in Local Authorities was updated in December 2021. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

25. It requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources, to ensure that decisions are made with sufficient regard to the long-term financial implications and potential risks to the authority.
26. The Council's finances have been significantly impacted by national factors outside of its control such as inflation and interest rates, as well as having to deal with the challenges of Local Government Reorganisation and bringing the five predecessor councils into one new organisation.
27. Inflation peaked at a 40-year high with CPI rising to 11.1% in October 2022, although this is now starting to decrease, to 3.9% in November 2023. The September figures are key in that they are used by Government for increases in pensions, business rates etc.
28. The 2023/24 Capital Budget was the first amalgamated capital programme for the new Somerset Council which brought together the existing capital programme from the continuing authority, Somerset County Council and the four legacy district authorities programmes. The programme was updated to include the new capital projects agreed as part of the 2023/24 Budget, Medium Term Financial Plan and Council Tax setting report to Full Council in February 2023.
29. A revised General Fund Capital Programme and HRA Capital Programme was approved at Council in September 2023. This combined the outturn position and slippage of the five legacy Councils and the Capital Programme approved in February 2023. Slippage of £59.4m was brought forward and a revised budget of £391.6m set for the General Fund as shown in Table 1.

Table 1 – Capital Programme approved in September 2023 for 2023/24 onwards

Directorate	2023/24 £'m	2024/25 £'m	2025/26 > £'m	Total All Years £'m
Children's Services	48.635	19.271	8.509	76.415
Adults Services	8.758	1.430	1.368	11.556
Community Services	24.137	11.739	1.282	37.158
Climate and Place	202.566	15.819	2.005	220.390
Resources & Corporate	32.022	3.288	0.780	36.090
Strategy, Workforce and Localities	0.235	0.135	0.136	0.506
Paused Schemes	1.687	7.690	0.139	9.516
Total Programme	318.040	59.372	14.219	391.631

30. Table 2 below shows the capital programme as at 30th December 2023 (month 9, qtr 3 of 2023/24).

Table 2 – Capital Programme as at 30th December 2023 (Qtr 3, month 9 of 2023/24)

Service/ Project	Total Budget	Forecasted Expenditure					Variance
		2023/24	2024/25	2025/26	2026/27 >	Total	
	£m	£m	£m	£m	£m	£m	£m
Adults and Health	11.556	7.582	2.512	1.368		11.462	(0.094)
Children's Services	77.410	42.269	17.790	9.838	6.213	76.110	(1.300)
Climate & Place - Other Services	9.378	3.232	5.058	1.088		9.378	
Climate & Place - Economy and Regeneration	123.304	49.514	53.165	19.512		122.191	(1.113)
Climate & Place - Infrastructure	95.766	72.679	22.289	0.448		95.416	(0.350)
Community Services	34.113	5.804	16.839	10.748	0.428	33.819	(0.294)
Resources & Corporate Services	36.848	18.339	11.455	2.239		32.033	(4.815)
Strategy and Workforce	0.506	0.235	0.135	0.136		0.506	
Paused Schemes	9.516	0.100	6.609	0.139		6.848	(2.668)
Total	398.397	199.754	135.852	45.516	6.641	387.763	(10.634)

31. The existing capital programme is funded by £247.634m external sources such as grants and contributions, £14.649m of internal sources such as capital receipts and reserves, with the remaining £136.114m to be funded by borrowing.

32. Table 2 above includes £9.516m for paused schemes. Details of the paused schemes can be seen in Table 3 below. These schemes were paused as part of the 2023/24 MTFP process. The slippage reported above relates to outturn carry approvals from 2022/23. As part of Appendix 1, Wincanton Regeneration and Yeovil Crematorium Refurbishment are recommended to be removed from the capital programme going forward.

Table 3 – Paused schemes in the 2023/24 approved capital programme

Service/ Project	Total Budget £'m	Forecasted Expenditure				Variance £'m
		23/24 £'m	24/25 £'m	25/26 £'m	Total £'m	
Homes for Children with Disabilities Phase 2	1.500		1.500		1.500	
Bridgwater Library Improvements	1.391		1.252	0.139	1.391	
Wincanton Regeneration	2.668					(2.668)
Yeovil Crematorium Refurbishment	3.957	0.100	3.587		3.957	
Total Programme	9.516	0.100	6.609	0.139		(2.668)
Funded By:						
Capital Receipts	0.664					(0.664)
Borrowing	8.662	0.100	6.609	0.139	6.848	(1.814)
Reserves/ Revenue	0.190					(0.190)
Total Programme	9.516	0.100	6.609	0.139	6.848	(2.668)

33. As part of the response to the declared financial emergency and the CIPFA code, the Council has carried out a further review of its entire capital programme. The factors Officers took in account when carrying out this review were as follows:

- Somerset Council financial survival meant a high-level analysis was undertaken rather than a detailed review of the scheme
- Schemes not underway should be removed, if required in future a new bid submitted with an updated business case
- Schemes that are funded by borrowing should be curtailed in year where possible
- Approved schemes via grant or ringfenced funds should continue
- New schemes that are funded by borrowing are not approved for 24/25 unless urgent H&S requirement/ statutory requirement
- Save to invest schemes which either make savings or income returns higher than borrowing costs

34. The outcomes were used to reduce unfinanced capital expenditure, to ensure the affordability and sustainability of our capital programme in the medium term. Political desire was not one of the assessment criteria at the stage this review / challenge sessions were undertaken.

Report

Capital Programme 2023/24

35. Appendix A shows all the schemes that are recommended to be removed from the programme following the review as outlined in paragraph 33. The total schemes recommended to be removed from the programme are £56.269m for 2023/24. This includes funding for schemes still proceeding but where the allocated budget can be removed. Executive are asked to recommend to Full Council for these to be removed from the capital programme.
36. With regard to the Octagon Refurbishment Scheme, the Council inherited a business case approval and capital allocation from a legacy council. This scheme was predicated on the receipt of a grant and significant levels of borrowing. At the Executive meeting of 4th October 2023 it was concluded that the current scheme is not affordable and an option appraisal would be necessary. Because of this the current scheme is being removed from the capital programme (included in appendix A). An alternative business case has been put to Department for Culture Media and Sports (DCMS) and we await their decision on financial support for this proposal. If this is awarded, a revised business case will be put to Council along with a request to add this revised scheme to the capital programme.

Capital Programme 2024/25

37. The proposed total capital programme for 2024/25 to 2026/27 is £238.519m as summarised in Table 4. Details of the capital projects included in the programme and profiled expenditure for each scheme are included in Appendix B. Executive are asked to recommend to Full Council for this capital programme to be approved.

Table 4- Capital Programme by Somerset Council Directorates 2024/25 to 2026/27

Directorate	2024/25 £m	2025/26 £m	2026/27 £m	Total All Years £m
Adults Services	2.512	1.368	0	3.880
Childrens Services	21.712	8.241	5.810	35.763
Community Services	1.538	0.221	0	1.759
Climate and Place	91.402	62.510	25.311	179.223
Resources and Corporate Services	14.659	2.899	0.065	17.623
Strategy and Workforce	0.135	0.136	0	0.271
Total Programme	131.958	75.375	31.186	238.519

38. In the Financial Strategy Update to Members in November 2023, we informed Members that new capital bids totalling £227.0m had been received. If all these

schemes were approved this would require new borrowing of £116.6m. This would be unaffordable and therefore work was done to reduce the recommended schemes for approval down on the basis of the review outlined in paragraph 33 above.

39. Appendix C shows a breakdown of the proposed new capital schemes suggested to be agreed for 2024/25 and beyond. A breakdown of the scheme by criteria and the values attributable to each can be seen in Table 5 below.

Table 5 – New Capital Schemes by Criteria

	2024/25	2025/26	2026/27	Total All Years
Criteria	£'m	£'m	£'m	£'m
Fully externally funded	36,921	41.162	25.311	86.520
Health and Safety / Legal Requirement	5.260	2.000	1.950	9.210
Invest to Save	0.125	0	0	0.125
Total	42.306	43.162	27.261	112.729

40. Of the £112.279m of new schemes proposed to be agreed, £109.394m is funded by external sources, with the remaining £3.335 having to be funded by borrowing.

Funding the Capital Programme

41. The overall funding for the Capital Programme is as shown below in table 6. Useable capital receipts are forecast to be used in the current year, 2023/24 but no current or projected receipts will be specifically allocated to the capital programme in 2024/25 or future years in line with the Council's Capital Strategy for 2024/25.

Table 6– Funding for the Combined Capital Programme 2024/25 to 2026/27

Financed by:	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Specific Funding:				
Grants	94.604	66.139	25.388	186.131
S106 / CIL Contributions	6.844	1.136	0	7.980
Corporate Funding:				
Borrowing	30.510	8.100	5.798	44.408
Total	131.958	75.375	31.186	238.519

42. Table 7 below shows a breakdown of all the anticipated grants and contributions. Should these grants and contributions be altered in any way, the scheme would have to be reduced accordingly or Members would have to consider increasing the Council's external debt by borrowing to ensure delivery of the scheme.

Table 7 – Capital Grants and Contributions 2024/25 to 2026/27

Scheme	Amount £m	Description / Funder
Grant Funded		
Disabled Facilities Grant Projects	2.186	Department for Health
Childrens Residential Homes	0.200	Department for Education
Children Looked After	0.260	Department for Education
Special Education Needs and Disabilities	5.356	Department for Education
Schools Basic Need Programme	1.900	Department for Education
Schools DFCG and Energy Efficiency	0.750	Department for Education
School Condition Programme	6.700	Department for Education
Bridgwater Town Deal Projects	16.234	Government Towns Fund
Bridgwater Levelling Up Projects	13.355	Government Levelling Up Fund
Glastonbury Town Deal Projects	16.050	Government Towns Fund
Firepool Development, Taunton	4.000	Government Future High Streets Fund
Chard Regeneration	0.500	Historic England
Bridges & Structures	23.448	Department for Transport
Road Structures	61.125	Department for Transport
Traffic Control	10.700	Department for Transport
Small Improvement Safety Schemes	2.500	Department for Transport
Highway Lighting	5.000	Department for Transport
Rights of Way	6.069	Department for Transport
Major Road Network	0.100	Department for Transport
A38 Chelston Link	4.610	Department for Transport
Bus Service Improvement Programme	3.743	Department for Transport
Grants to Registered Social Landlords	0.790	
IAC Staffing and Support	0.204	Department for Health
Energy Efficiency Grants	0.124	
Home Maintenance	0.114	
Prevention Grants	0.071	
Wellington Sports Centre Decarbonisation	0.042	Public Sector Decarbonisation Fund
	186.131	
Contribution Funded		
Learning Disabilities	0.043	NHS
Flood Alleviation Projects (Somerset West & Taunton Area)	4.929	SWT CIL Funds

Taunton Town Centre Regeneration	0.897	SWT CIL Funds
Active Travel Projects	1.666	SWT CIL Funds
Library Services	0.072	Bridgwater Town Council/ Other
Corporate ICT Investment	0.102	Various sources
	7.980	
Total	194.111	

43. The cost of borrowing to fund the capital programme is fully incorporated into the revenue budget setting process to ensure prudence and affordability. They are also reflected in prudential indicators calculated and reported as part of the Council's approved Treasury Management Strategy and in-year Treasury Management reports.
44. Only Third-Party contributions received or formally agreed are used to fund the programme. As expected contributions are received in the future, this will release the need for that level of borrowing.

Timetable

45. The Capital Strategy with MRP Policy, Treasury Management Strategy, Flexible Capital Receipts Policy was presented to the Audit Committee on the 25 January 2024 and will be considered by full Council in 20 February 2024.
46. The sequence of committee meetings for finalising the capital programme for 2024/25 for the Council to consider on 20 February 2024 is:
- 01 February 2024 - Corporate and Resources Scrutiny Committee - scrutiny review of Executive draft capital budget proposals and make any specific recommendations to the Executive to consider on 7 February 2024.
 - 07 February 2024 - Executive - review of the latest draft budget proposals for the Capital Programme and the consultation feedback and make recommendations to Council on final budget proposals.

Background Papers

2023/24 Budget, Medium-Term Financial Plan and Council Tax Setting report to Council 22 February 2023.

Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate and Resources Scrutiny & Executive July 2023.

Financial Strategy Update report to 09 November 2023 Corporate and Resources Scrutiny and 08 November 2023 Executive.

2024/25 General Fund Revenue & Capital Programme update to 05 December 2023, Corporate and Resources Scrutiny Committee, 06 December 2023 Executive and 20 December 2023 full Council.

Monthly Budget Monitoring reports to Executive and Corporate and Resources Scrutiny Committee

2024/25 General Fund Revenue Budget Update to Executive 15 January 2024

Appendices

Appendix A: Removed schemes from Capital Programme 2023/24

Appendix B: Capital Programme 2024/25 to 2026/27

Appendix C: New Bids for 2024/25

Sign Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	29/01/2024
Communications	Peter Elliott	25/01/2024
Finance & Procurement	Nicola Hix	29/01/2024
Workforce	Dawn Bettridge	28/01/2024
Asset Management	Oliver Woodhams	24/01/2024
Executive Director / Senior Manager		
Strategy & Performance	Alyn Jones	24/01/2024
Executive Lead Member	Liz Leyson	29/01/2024
Consulted:	Councillor Name	
Local Division Members		
Opposition Spokesperson	Mandy Chilcott	24/01/2024
Scrutiny Chair	Bob Filmer	24/01/2024

Capital Budget (General Fund) Appendix A

Directorate Area	Scheme/ project	Recommendation	Reason	Value £m	Funding Type
Adults and Health	Adults ICT Infrastructure	Removal of grant approval	Approval relates to an old SCC scheme that has not be taken forward	-0.094	Grant
Children and Learning	Schools Access Initiative	Removal of borrowing approval	Any remaining costs will be funded from the High Needs capital grant	-0.115	Borrowing
Children and Learning	School Basic Need	Removal of borrowing approval	Review of programme identified areas where approval could be reduced	-7.100	Borrowing
Children and Learning	School Basic Need	Removal of borrowing approval	Orchard Grove Primary School - Borrowing to be replaced with CIL funds	-6.100	Borrowing
Children and Learning	School Basic Need	Addition of contribution approval	Orchard Grove Primary School - To replace borrowing that was originally allocated to the project	6.100	Contribution (CIL)
Climate and Place - Economy & Regeneration	Phosphates	Removal of CIL approval	Former Somerset West and Taunton scheme that is no longer being taken forward	-1.986	Contribution (CIL)
Climate and Place - Economy & Regeneration	Chard Regeneration	Removal of borrowing approval	Review of the project has enabled the budget to be reduced	-0.815	Borrowing
Climate and Place - Economy & Regeneration	Yeovil Refresh	Removal of borrowing approval	Review of the project has enabled the budget to be reduced	-0.537	Borrowing
Climate and Place - Infrastructure & Transport	Rights of Way	Removal of borrowing approval	Any remaining costs will be funded from the external grant approvals	-0.034	Borrowing
Climate and Place - Infrastructure & Transport	Rights of Way	Removal of reserve funded approval	Any remaining costs will be funded from the external grant approvals	-0.098	Reserves
Climate and Place - Infrastructure & Transport	Blue Anchor Coast Protection	Removal of unspent grant approval	Project is reporting an underspend	-0.350	Grant
Community Services	Cultural and Heritage Services	Removal of borrowing approval	Review of programme identified areas where approval could be reduced	-0.162	Borrowing
Community Services	Grants to Registered Social Landlords (RSLs)	Removal of reserve funded approval	Any remaining costs will be funded from the external grant approvals	-0.050	Borrowing
Community Services	Gypsy Site	Removal of borrowing approval	Former Somerset West and Taunton scheme that is no longer being taken forward	-0.109	Borrowing
Community Services	Other Schemes	Removal of borrowing approval	Review of programme identified areas where approval could be reduced	-2.237	Borrowing
Community Services	Brewhouse Theatre	Removal of borrowing approval	Former Somerset West and Taunton scheme that is no longer being taken forward	-0.125	Borrowing
Community Services	Octagon Theatre Redevelopment	Remove original scheme from the programme	New business case being worked on for a revised scheme.	-11.000	Grant
Community Services	Octagon Theatre Redevelopment	Remove original scheme from the programme	New business case being worked on for a revised scheme.	-14.369	Borrowing
Community Services	Octagon Theatre Redevelopment	Remove original scheme from the programme	New business case being worked on for a revised scheme.	-2.019	Reserves

Resources and Corporate Services	Finance - Capital Contingency	Removal of borrowing approval	Projects to manage within their own contingency	-4.029	Borrowing
Resources and Corporate Services	Saltlands Solar Park	Remove original scheme from the programme	New business case will be required for any future project being externally funded	-3.137	Borrowing
Resources and Corporate Services	New Somerset Council Signage	Removal of approval	Scheme removed	-0.078	Borrowing
Resources and Corporate Services	Corporate ICT	Removal of borrowing approval	Review of programme identified areas where approval could be reduced	-1.200	Borrowing
Paused Schemes	Wincanton Regeneration	Remove original scheme from the programme	Scheme previous paused. Now recommended for removal	-0.664	Capital Receipt
Paused Schemes	Wincanton Regeneration	Remove original scheme from the programme	Scheme previous paused. Now recommended for removal	-1.814	Borrowing
Paused Schemes	Wincanton Regeneration	Remove original scheme from the programme	Scheme previous paused. Now recommended for removal	-0.190	Reserves
Paused Schemes	Yeovil Crematorium Refurbishment	Remove original scheme from the programme	Scheme previous paused. Now recommended for removal	-3.957	Borrowing
				-56.269	

2024-25 Proposed Programme Forecasts (General Fund)

Adults and Health Services					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Adults Residential Programme	1,366	275		1,641	1,641		1,641
Disabled Facilities Grant	1,093	1,093		2,186		2,186	2,186
Learning Disabilities	53			53	10	43	53
Total	2,512	1,368		3,880	1,651	2,229	3,880

Children's Services					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Children's Residential Homes 1-6	326	71	71	468	268	200	468
Children Residential Homes 7 and 8	950			950	950		950
Homes for Children with Disabilities Phase 2	1,500			1,500	1,500		1,500
Children Looked After	130	130		260		260	260
Special Education Needs and Disabilities	3,789	1,567		5,356		5,356	5,356
Early Years	212			212	212		212
Schools - DFCG & Energy Efficiency	750			750		750	750
Schools - Basic Need	975	150		1,125	1,125		1,125
Pyrland School - Dining Facilities Expansion	900			900		900	900
Heathfield School - Dining Facilities Expansion	1,000			1,000		1,000	1,000
St Pauls School Expansion	400			400	400		400
Orchard Grove New Primary School	3,500	200		3,700	3,700		3,700
Courtfields School - Dining Facilities Expansion	700			700	700		700
Dulverton Primary School (Single Site)	100			100	100		100
Schools Condition General	5,714	5,714	5,714	17,142	10,442	6,700	17,142
Stawley Modular Replacement	475	400	25	900	900		900
Albert Street Modular Replacement	291	9		300	300		300
Total	21,712	8,241	5,810	35,763	20,597	15,166	35,763

Climate & Place - Other Services					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Flood Alleviation Projects (Somerset West & Taunton area)	4,035	1,000		5,035	106	4,929	5,035
Somerset Waste Partnership - Bin Stock	1,020	70		1,090	1,090		1,090
Chard Reservoir Dam Works	3	18		21	21		21
Total	5,058	1,088		6,146	1,217	4,929	6,146

Climate & Place - Economy and Regeneration					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Business Growth Fund & Other Projects	434			434	434		434
Bridgwater Town Deal	8,985	7,249		16,234		16,234	16,234
Bridgwater Levelling Up Fund	7,211	6,144		13,355		13,355	13,355
Glastonbury Town Deal	10,050	6,000		16,050		16,050	16,050
Taunton Town Centre Regeneration	897			897		897	897
Firepool Development, Taunton	4,000			4,000		4,000	4,000
Chard Regeneration	500			500		500	500
Frome Enterprise Centre Building Improvements	806	19		825	825		825
Total	32,883	19,412		52,295	1,259	51,036	52,295

Climate & Place - Infrastructure and Transport					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Bridge Structures	7,448	4,000	12,000	23,448		23,448	23,448
Road Structures	29,500	31,625		61,125		61,125	61,125
Traffic Control	2,800	2,800	5,100	10,700		10,700	10,700
Active Travel Projects	1,666			1,666		1,666	1,666
Small Improvement - Safety Schemes	500	500	1,500	2,500		2,500	2,500
Highway Lighting	1,000	1,000	3,000	5,000		5,000	5,000
Rights of Way	1,121	1,237	3,711	6,069		6,069	6,069
Car Parks & Parking Services	248	248		496	496		496
Major Road Network	200	100		300	200	100	300
A38 Chelston Link	4,610			4,610		4,610	4,610
Fleet Management - Vehicles	500	500		1,000	1,000		1,000
Silk Mills Park & Ride Security Measures	125			125	125		125
Bus Service Improvement Programme	3,743			3,743		3,743	3,743
Total	53,461	42,010	25,311	120,782	1,821	118,961	120,782

Community Services					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Library Services	326			326	254	72	326
Grants to Registered Social Landlords (RSLs)	790			790		790	790
IAC Staffing and Support	102	102		204		204	204
Energy Efficiency Grants	62	62		124		124	124
Home Maintenance	57	57		114		114	114
Prevention Grants	71			71		71	71
Ports and Harbours Safety Improvements	70			70	70		70
Bridgwater Port and River Brue Dredging	30			30	30		30
Bridgwater Port Navigation Aids and Beacons	30			30	30		30
Total	1,538	221		1,759	384	1,375	1,759

Resources and Corporate Services					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Corporate ICT Investment	2,098	780		2,878	2,776	102	2,878
Property Services General	798			798	798		798
Wellington Library Improvements	1,158	34		1,192	1,192		1,192
Building Compliance Health & Safety	190			190	190		190
Property Rationalisation	700			700	700		700
Building Condition Programme (Non Schools)	2,466	236		2,702	2,702		2,702
Wincanton Sports Centre - New Roof and Colley Lane, Bridgwater - New Bay Roof (24/25/Corp Contingency)		825	19	844	844		844
Bridgwater Library - Condition, Roof (22/23)	444	11		455	455		455
Taunton Library - New Boiler (22/23)	224	5		229	229		229
Orchard Multi-Storey - Structural and waterproofing repairs. (23/24)	330	8		338	338		338
Outdoor Education Centres Improvements	525	375	21	921	921		921
Outdoor Education Centres Building Condition	625	550	25	1,200	1,200		1,200
South West Heritage Trust Building Condition	325	75		400	400		400
Wellington Sports Centre Decarbonisation	2,383			2,383	2,341	42	2,383
Dulverton Weir Essential Works	30			30	30		30
Closed Churchyards	150			150	150		150
Capital Works for Investment Properties	2,213			2,213	2,213		2,213
Total	14,659	2,899	65	17,623	17,479	144	17,623

Strategy, Workforce, and Localities					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Various Other Schemes	135	136		271		271	271
Total	135	136		271		271	271

Directorate Area					Funded by		
	2024/25	2025/26	2026/27 >	Total	Borrowing	Grants/ Contributions	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Adults and Health	2,512	1,368		3,880	1,651	2,229	3,880
Children's Services	21,712	8,241	5,810	35,763	20,597	15,166	35,763
Climate & Place - Other Services	5,058	1,088		6,146	1,217	4,929	6,146
Climate & Place - Economy and Regeneration	32,883	19,412		52,295	1,259	51,036	52,295
Climate & Place - Infrastructure	53,461	42,010	25,311	120,782	1,821	118,961	120,782
Community Services	1,538	221		1,759	384	1,375	1,759
Resources & Corporate Services	14,659	2,899	65	17,623	17,479	144	17,623
Strategy and Workforce	135	136		271		271	271
Total	131,958	75,375	31,186	238,519	44,408	194,111	238,519

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Appendix C

Summary of 2024/25 MTFP Capital Bids

All Figures in £000's

Criteria - Fully Externally Funded

Ref	Directorate	Scheme	Description	Budget Holder	Profile of Spend					Total Request	Funded By		
					2024/25	2025/26	2026/27	2027/28	2028/29		Borrowing	Grants	Total Approval
C24-010	Climate and Place	Signing and Lining Replacement Programme	<p>Road markings Although every site is different depending on how much the route is trafficked, the average life of a thermoplastic road marking is 3-7 years. The average cost to replace the road markings on an A road is £5000 per km and a B Road is £2600 per km. With the average lifespan of 5 years this equates to the requirement of a Capital road marking replacement budget of £920,720 per annum.</p> <p>Signing Although every route is different the average life of a modern road sign is 7-10 years. The average cost to replace the signs on an A road is £7000 per km and a B Road is £4000 per km. If we look at the maximum of a 10 year replacement programme this equates to the requirement of a Capital signing replacement budget of £661,100 per annum.</p>	Mike O'Dowd-Jones	500	500	500	500	500	2,500	0	2,500	2,500
C24-011	Climate and Place	Traffic Signal PSTN Replacement Project	<p>As at the 31 August 2023 there are currently 299 Traffic signal sites across Somerset. Approximately 220 of these sites will be affected by the national plans to convert the public switched telephone network (PSTN) to a fully digital network by the end of 2025, when every phone line in the UK will be digital, routing calls over IP (Internet Protocol) rather than the traditional PSTN. These telephone connections to the traffic control sites are vital in the monitoring, maintenance and management of these sites. This project is to invest in the upgrading of these 220 Traffic Signal sites to IP communications. Traffic signals are generally located at strategically important or vulnerable locations and their continued effective and efficient operation needs to be safeguarded. We have estimated that an investment of £2.2M would deliver the 220 improvements required to convert the sites. This is due to the current estimated costs of approximately £10,000 per site.</p>	Mike O'Dowd-Jones	1,100	1,100	0	0	0	2,200	0	2,200	2,200
C24-012	Climate and Place	Traffic Signal Refurbishment Programme	<p>As at the 31 August 2023 there are currently 299 Traffic signal sites across Somerset. Approximately 137 of these sites have been identified as being in a critical condition, many of which are operating with obsolete equipment which is unmaintainable and would be a health and safety risk for the public in the event of failure.</p>	Mike O'Dowd-Jones	1,200	1,200	1,200	1,200	1,200	6,000	0	6,000	6,000
C24-013	Climate and Place	Road Safety Engineering Programme	<p>This programme of high priority works is identified through the Road Safety Team as a result of their ongoing review of collision sites and will deliver collision and casualty reduction benefits. Schemes are prioritised based on injury collision volumes and injury severity.</p>	Mike O'Dowd-Jones	500	500	500	500	500	2,500	0	2,500	2,500
C24-014	Climate and Place	Highways Basic Need	<p>This bid is for the basic needs funding for the annual capital funded maintenance programme to maintain the highway network for which Somerset Council is the Highways Authority (HA). This comprises the core, annual capital funded maintenance of the HAs key highways assets - carriageways, footways and cycleways, structures, drainage, (bridges), street lighting, and traffic Control.</p>	Mike O'Dowd-Jones	27,500	31,625	0	0	0	59,125	0	59,125	59,125
C24-015	Climate and Place	Bridges & Structures - Basic Need	<p>This bid is for the basic needs funding for the annual capital funded maintenance programme to maintain the various Bridges and Structures for which Somerset Council is the Highways Authority (HA).</p>	Mike O'Dowd-Jones	4,000	4,000	4,000	4,000	4,000	20,000	0	20,000	20,000
C24-018	Climate and Place	Highway Lighting - Basic Need	<p>Somerset Council currently maintain and pay energy for a total of 59,444 illuminated assets in Somerset. The assets are made up of 52,450 street lights, 1717 illuminated bollards, 4,876 illuminated signs and 401 Belisha Beacons/Beacon post lights. The Council has replaced 37,959 (63.85%) of illuminated assets with LED. The remaining ageing assets have now exceeded their recommended life expectancy. The equipment is not energy efficient, and maintenance is becoming more difficult as Sox lamps (sodium) ceased being manufactured in 2020. The Council currently still have 3,036 Sox lamps in Somerset which will need replacing.</p>	Mike O'Dowd-Jones	1,000	1,000	1,000	1,000	1,000	5,000	0	5,000	5,000
C24-024	Climate and Place	Rights of Way - New Staff	<p>Due to the following demands: - Increased issue reporting on the path network - Doubling of planning application consultations in the last 10 years, where rights of way are impacted - Assuming the development-related diversion function from the ex-District Councils following LGR, there is a need for a service restructure to cope with the demand to ensure that we can better fulfil our statutory duty to protect and assert the rights of the public to the (safe) use and enjoyment of the path network.</p> <p>4 x AFRs have been prepared where it is proposed that their salary is part-capitalised as follows: - 1 x Senior Rights of Way Officer - Development (G9?) 20% c.£11k - 1 x Rights of Way Projects Warden (G11?) 20% c.£7.2k - 1 x Bridge Technician (G13) 90% c.£27.6k - 1 x Diversions Officer (G12) 20% c.£6k</p> <p>If successful, this bid would be added to the Rights of Way Basic Need allocation in future</p>	Mike O'Dowd-Jones	52	52	52	52	52	260	0	260	260

C24-023	Climate and Place	Rights of Way - Basic Need	There are over 6000km of public rights of way across Somerset comprising 4700+ bridges and 36,000+ other structures and assets (stiles, gates, signposts, drainage assets, etc). The extensive network requires a significant rolling capital investment programme to ensure that the network remains available, safe and easy to use for the public. The project also includes supporting a number of volunteer schemes with assets, eg: strimmers, to help keep the network open and safe to use.	Mike O'Dowd-Jones	1,069	1,185	1,185	1,185	1,185	5,809	0	5,809	5,809
					36,921	41,162	8,437	8,437	8,437	103,394	0	103,394	103,394

Criteria - Health and Safety

Ref	Directorate	Scheme	Description	Budget Holder	Profile of Spend					Total Request	2024.25 Requests by Funding Type		
					2024/25	2025/26	2026/27	2027/28	2028/29		SC Resources	Grants	Total Approval
C24-002	Children and Families	Dulverton Primary School (Single Site)	Dulverton has an infant and a junior school which are located next to each other. There are less than 90 children across the two schools and numbers are projected to fall. A 2-school model for Dulverton does not appear sustainable so the Governing Body, which oversees both schools, wishes to explore an amalgamation model and create a primary school. The primary school would operate from just one of the school sites (the infant school site) while the junior school site would be passed back to the Council's Estates Team. To accommodate older, bigger children, the infant school building needs some remedial works, including adaptations to toilets and the provision of a hygiene / therapy area. Works may also be needed to the school's perimeter to prevent older / larger children being able to exit the site.	Amelia Walker	100	0	0	0	0	100	100	0	100
C24-025	Climate and Place	Waste Services - Waste Containers	To provide waste containers for residents of Somerset to enable them to present their waste for collection in ergonomic and kite marked containers designed specifically for this purpose.	Kirsty Larkins	950	0	0	0	0	950	950	0	950
C24-026	Climate and Place	Silk Mills Park & Ride Security Measures	To introduce physical measures to prevent Traveller incursions onto Silk Mills Park & Ride site in Taunton. We wish to introduce similar measures to those in place at Taunton Gateway Park & Ride such as bollards, height barriers and boulders and redesign the access for our Minibuses based on the site to prevent traveller incursions into the main parking area.	Mike O'Dowd-Jones	125	0	0	0	0	125	125	0	125
C24-028	Community Services	Ports and Harbours	Project - Replacement of Safety Ladders, Fenders, tidal boards and steps at Minehead and Watchet Harbours. This infrastructure work is required to comply with health and safety requirements including health and safety at work act, Ladders compliance with safety in docks approved code of practice and also the Port Marine Safety Code.	Sarah Dowden	70	0	0	0	0	70	70	0	70
C24-029	Community Services	Navigation Aids and Brue Beacons	Port Navigation Aids Replacement Ground Tackle and Brue Beacon Replacement Safe Navigation in the Port of Bridgwater requires the approach channels to be well marked using buoys and lights as required. Navigation Buoys and lights are installed in the Port of Bridgwater that are used to mark the safe approaches in and out of the port. We have a legal duty to ensure navigation markers are fit for purpose and provide safe navigation to vessels using the port area. In order to keep the buoys on station and to reduce the risk of them coming loose and being lost routine maintenance needs to be undertaken to inspect and replace the ground tackle and weights that secure the buoys on location on the seabed. There is also a navigation light located at the entrance to the river Brue which needs to be upgraded to ensure continued operation. Due to the nature of this work it can only be done using a contractor with suitable floating plant and lifting equipment. As such services have to be brought in to complete the works. Therefore the capital bid funding is required to fund the inspection and replacement of ground tackle on Navigation Buoys and to replace the Brue Beacon navigation marker	Sarah Dowden	30	0	0	0	0	30	30	0	30
C24-030	Community Services	Dredging Port of Bridgwater and Brue River	Dredging River Brue Entrance This capital bid is for funding to employ a contractor to undertake dredging at the mouth of the River Brue. The Port of Bridgwater area includes the River Parrett and parts of the River Brue including the entrance to the Brue River from the Parrett. The Port has a statutory conservancy duty under port legislation and an open port duty meaning it has to maintain the port area in manner that is safe for navigation at all times. In addition safe navigation is a requirement of the Port Marine Safety Code.	Sarah Dowden	30	0	0	0	0	30	30	0	30
C24-032	Resources & Corporate Services	Dulverton Weir	Repair work to Dulverton Weir, to ensure leaf flows and mitigate risk to residential property damage.	Oliver Woodhams	30	0	0	0	0	30	30	0	30
C24-033	Resources & Corporate Services	Capital Compliance Fund	Somerset Council now has a portfolio of approx. 2500 building assets, of which approx. 130 are operational properties for which it is responsible for ensuring are maintained to a safe and suitable standard. These premises range from public buildings (e.g. leisure facilities, family hubs and libraries), to sites occupied by Council employees such as office bases and depots. This is in addition to those premises occupied by third parties and tenants. Fire Precaution Works High Hazard Asbestos Accessibility Improvements Radon	Oliver Woodhams	150	0	0	0	0	150	150	0	150

C24-034	Resources & Corporate Services	Corporate Capital Condition Programme	This funding is to address poor condition building issues across the Council's estate (excluding Schools), to ensure buildings are safe and functional and remain operational. This funding only includes those issues identified in poor or bad condition and which are urgent or essential. A number of condition surveys have been undertaken across the portfolio of the new unitary authority assets, and the results have provided costings for this proposed programme of condition works. This has been supplemented with costings for other high priority issues across various assets, which fell outside of the condition survey programme. These issues were raised by property officers across the whole council and have been individually assessed for inclusion on this programme. Existing levels of capital approval are insufficient to address a growing backlog of condition issues, which will grow to unsustainable levels year on year without further funding being allocated.	Oliver Woodhams	1,700	0	0	0	0	1,700	1,700	0	1,700
C24-035	Resources & Corporate Services	Closed Churchyards	Provision for proactive and reactive Health and Safety works in Closed Churchyards. Somerset Council has a statutory obligation to maintain and repair closed churchyards where the diocese has transferred that liability via the ministry of justice. Work is being undertaken to review the condition of all the closed churchyards in the county in order to identify potential risks. There is currently one site which has an identified current risk of a collapsing retaining wall and work is underway to fully specify the works. These are currently estimated to be in the region of £150k.	Oliver Woodhams	150	0	0	0	0	150	150	0	150
C24-037	Resources & Corporate Services	Schools Capital Condition Programme	The Council has a statutory duty to ensure sufficient provision of new places. In addition, schools must be maintained in an appropriate condition. This funding is to ensure school building are safe and functional and that their condition does not detract from teaching and learning or lead to unplanned school closures. The Department for Education (DfE) provides an annual capital grant to support this activity. However, there is a major and growing shortfall in funding between the level of need and the grant funding received. In 23/24 the highest priority condition issues identified totalled £9.08m against a DfE grant allocation of £2.4m; a backlog maintenance requirement which will grow to unsustainable levels year on year. In order to ensure an effective condition programme can be delivered to address the growing backlog of unaddressed high priority items, this request is based on the need identified in the most recent condition surveys.	Oliver Woodhams	2,050	2,000	1,950	0	0	6,000	0	6,000	6,000
					5,385	2,000	1,950	0	0	9,335	3,335	6,000	9,335
					42,306	43,162	10,387	8,437	8,437	112,729	3,335	109,394	112,729

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Somerset Council

Full Council
20 February 2024



Report of the Leader and Executive – Housing Revenue Account Budget Setting

Executive Member: Councillor Bill Revans – Leader of the Council and Lead Member for Governance and Communications

Division and Local Member: All

Lead Officers: Duncan Sharkey – Chief Executive and Alyn Jones – Executive Director for Strategy, Workforce and Localities

Author: Scott Wooldridge – Head of Governance and Democratic Services and Deputy Monitoring Officer and Mike Bryant – Service Manager - Democratic Services

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

1. Summary

- 1.1** This report sets out the Leader’s and Executive’s recommendations to Council arising from their consideration of reports at the Executive meeting on 7 February 2024 (the Executive also met on 15 January 2024, but no decisions requiring Full Council approval were considered at this meeting).

The references in this report to Paper A relate to the relevant report considered by the Executive containing specific recommendations for Full Council to consider and are appended to this report for reference.

Note – the Executive also considered the following reports at its Executive Meeting on 7 February 2024 – these are being considered by Full Council as separate agenda items:

- **2024-25 Treasury Management Strategy**
- **2024-25 Capital Strategy**
- **General Fund Capital Budget**
- **2024-25 General Fund Budget and Medium Term Financial Plan**

1.2 Paper A (2024/25 HRA Budget Setting Report) was considered at the Executive meeting on 7 February 2024. The Executive endorsed Paper A and agreed for this to be reported to Full Council to consider and approve.

This report presents to Members the proposed Housing Revenue Account (HRA) Annual Revenue Budget and Capital Programme for 2024/25, including the proposed Rent Setting and Fees and Charges for 2024/25.

The report also provides an update on the 5-Year Medium Term Financial Plan (MTFP) and the 30-Year Business Plan Review.

The report recommendations specifically include the approval of the HRA Annual Revenue Budget for 2024/25, rent setting for 2024/25, fees and charges for 2024/25, the Capital Programme for 2024/25, updated assumptions regarding the Medium Term Financial Plan 2024/25 – 2029/30 and the 30 Year Business plan including updated assumptions.

The proposals included in this report will enable the Council to set a balanced budget for the HRA for 2024/25.

2. Recommendations

2.1 Paper A (2024/25 HRA Budget Setting Report) – see Paper A and its appendices that the Executive considered and endorsed at its meeting on 7 February 2024..

That Full Council approve the following:

1. Revenue Budget for 2024/25 (see section 8)

- The HRA Annual Revenue Budget for 2024/25 as shown in Appendix A.

2. Rent Setting for 2024/25 (see section 10)

- An increase of 7.7% to Dwelling Rents in line with the Governments 2019 (and updated 2023) Rent Standard.
- An increase of 7.7% for Sheltered and Extra Care housing rents in line with the dwelling rents increase.
- An increase of 7.7% for Shared Ownership properties.

- An increase of 7.7% on affordable rental tenures, with the rent being reviewed at relet based on 80% of open market rent capped at the LHA rate.
- The continuation of rent flex at relet for new tenants within the West of the Council for tenants part of the in-house service (dwelling stock inherited from the legacy Somerset West and Taunton Council) as included in the Rent Charging Policy. This will be levied at basic rent plus 5% for general needs tenants and 10% for sheltered and extra care tenants.
- The introduction of rent flex at relet for new tenants within the North of the Council for tenants part of Homes In Sedgemoor (dwelling stock inherited from the legacy Sedgemoor District Council) as included in the Rent Charging Policy. This will be levied at basic rent plus 5% for general needs tenants and 10% for sheltered and extra care tenants.

Fees & Charges for 2024/25 (see section 11)

- An increase in Service Charges for tenants in the North, managed by Homes In Sedgemoor, based on predicted costs in line with the service charging policy. The introduction of a transparent 10% service charge management fee. The service charges are contained in **Appendix B**.
- An increase in Service Charges for tenants in the West, managed by the In-House Service, of (a) 7.7% for Grounds Maintenance and the Support / Sheltered Housing and Extra Care accommodation services, (b) 6.8% for the Piper Lifeline service, (c) other charges based on actual costs incurred for laundry, heating, communal areas, communal door entry systems, (d) no change to the communal utilities charge, (e) a new charge for exceptional street cleaning, (f) sewerage will increase in line with the Wessex Water increases for 2024/25 once known. The service charges are contained in **Appendix C**.
- An increase of 7.7% for garage rents.
- An increase of 6.7% on temporary accommodation daily rates.
- An increase of 6.7% for Meeting Hall hourly rental rates.
- An increase of 6.7% for Guest Room charges.

Capital Programme from 2024/25 (see section 12)

- The HRA Major Works and Improvement Capital Programme for 2024/25 of £8,834,500 for HiS and £19,189,200 for the In-House Service.
- To approve a **capital budget of £940,000** for the delivery of the **Bespoke Homes Phase 2** scheme (North of Somerset). This scheme will deliver 2 large and fully adapted new homes that will be built to low carbon standards in excess of building regulations and extend two existing council dwellings to create larger adapted homes. The proposal is to finance this using an appropriate combination of up to 29.78% subsidy from Homes England and the remainder funded by borrowing. These homes will be let at social rents.
- To approve a **capital budget of £968,000** for the delivery of the **Rochester Road Step Down / Move on Accommodation** (West of Somerset). This scheme will deliver 8 new homes and let to vulnerable adults or children such as low complex homeless or children leaving care. The homes will use Modern Methods of construction and be of built to low carbon standards in excess of building regulations. The proposal is to finance this scheme using a combination of Better Care Funding and the remainder funded by borrowing. These new homes will be let at affordable rents and discounted if appropriate.
- To approve a **capital budget of £2,000,000** for the delivery of the **Step Down / Move On Accommodation** scheme (West of Somerset). This scheme will deliver 16 new homes for vulnerable adults or children such as low complex homeless or children leaving care. The homes will be built to low carbon standards in excess of building regulations and use Modern Methods of construction. The proposal is to finance this scheme using a combination of Better Care Capital Funding and the remainder funded by borrowing. These new homes will be let at affordable rents and discounted if appropriate.
- To approve a **capital budget of £2,615,430** for the delivery of the **Taunton Road** scheme (North of Somerset). This scheme will deliver 11 new homes that will be built to low carbon standards in excess of building regulations. The proposal is to finance this using

an appropriate combination of up to 40% subsidy from RTB receipts and the remainder funded by borrowing. These new homes will be let at affordable rents.

- To approve a **supplementary budget of £656,760** for the current **Cricketers** scheme (North of Somerset) to fund the projected overspend to complete the scheme. This scheme is delivering 16 new homes and will be built to low carbon standards in excess of building regulations. The proposal is to finance this using Homes England capital grant, Hinkley Point C funding and the remainder funded by borrowing. These new homes will be let at affordable rents.
- To approve a **supplementary budget of £375,000** for the current **Oxford Inn** scheme (West of Somerset) to fund the projected overspend to complete the scheme. This scheme is delivering 8 new homes will be built to low carbon standards in excess of building regulations. The proposal is to finance this using an appropriate combination of up to 40% subsidy from RTB receipts and the remainder funded by borrowing. These new homes will be let at affordable rents.
- To approve a **budget return of £20,274,207** for the **North Taunton Woolaway Project Phase D** (West of Somerset).
- To approve a **budget return of £10,499,189** for the **Zero Carbon Affordable Homes** scheme (West of Somerset).
- To approve a **budget return of £950,000** for the **Tuckerton Lane** scheme (North of Somerset).
- To approve a **budget return of £500,000** for the **Purchase of Properties for RTB** scheme (North of Somerset).

Medium Term Financial Plan 2024/25 – 2029/30 (see section 9)

- To note the reviewed and updated assumptions in the 2024/25 5-Year Medium Term Financial Plan (MTFP).
- To approve the transfer of four dwellings from the General Fund to the Housing Revenue Account and delegate authority to the Lead Member for Communities, Housing and Culture and the Section 151 Officer to approve the final land transfer value.

- To approve an increase in the HRA's strategic approach to generate capital receipts of approximately £1.225m through the sale of uneconomical assets on the open market.

30-Year Business Plan (see section 8)

- The updated assumptions and figures in the 2024 HRA 30-Year Business Plan as summarised in section 7.
- That members note the challenges and next steps for the HRA and landlord services.

3. Options considered and consultation undertaken

- 3.1** Options considered and details of consultation undertaken in respect of the recommendations set out above are set out in the report and appendices within Paper A.

4. Implications

- 4.1** Financial, legal, Human Resources, equalities, human rights and risk implications in respect of the recommendations set out in this report are detailed within Paper A.

It is essential that consideration is given to the legal obligations and in particular to the need to exercise the equality duty under the Equality Act 2010 to have due regard to the impacts based on sufficient evidence appropriately analysed.

The duties placed on public bodies do not prevent difficult decisions being made such as, reorganisations and service reductions, nor does it stop decisions which may affect one group more than another. What the duties do is require consideration of all of the information, including the potential impacts and mitigations, to ensure a fully informed decision is made.

5. Background Papers

- 5.1** These are set out within Papers A and its appendices.

Executive Decision Report

Forward Plan Reference: FP/24/01/12

Decision Date: 7 February 2024

Key Decision: Yes



Housing Revenue Account (HRA) Revenue and Capital Budget Setting 2024/25 including Dwelling Rent Setting and Fees and Charges for 2024/25, MTFP and 30-Year Business Plan Update

Executive Member(s): Cllr Liz Leyshon - Deputy Leader of the Council and Lead Member for Resources and Performance(s); Cllr Federica Smith-Roberts - Lead Member for Communities, Housing and Culture

Local Member(s) and Division: All

Lead Officer: Jason Vaughan - Executive Director for Resource & Corporate, S151 Officer

Author: Kerry Prisco - Management Accounting & Reporting Lead

Contact Details: kerry.prisco@somerset.gov.uk

1 Executive Summary

- 1.1 This report presents to Members the proposed Housing Revenue Account (HRA) Annual Revenue Budget and Capital Programme for 2024/25, including the proposed Rent Setting and Fees and Charges for 2024/25.
- 1.2 This report also provides an update on the 5-Year Medium Term Financial Plan (MTFP) and the 30-Year Business Plan Review.
- 1.3 The proposals included in this report would enable the Council to set a balanced budget for the HRA for 2024/25.

2 Recommendations

- 2.1 That the Executive endorse and recommend the recommendations below for approval by the Council, which include changes for rents and service charges to be used to prepare the necessary notices to tenants ready for dispatch following the Council

PAPER A

meeting on 20 February 2024 to ensure the 28 days, notice period is met.

2.2 That Full Council approve the following:

Revenue Budget for 2024/25 (see section 8)

2.3 The HRA Annual Revenue Budget for 2024/25 as shown in Appendix A.

Rent Setting for 2024/25 (see section 10)

2.4 An increase of 7.7% to Dwelling Rents in line with the Governments 2019 (and updated 2023) Rent Standard.

2.5 An increase of 7.7% for Sheltered and Extra Care housing rents in line with the dwelling rents increase.

2.6 An increase of 7.7% for Shared Ownership properties.

2.7 An increase of 7.7% on affordable rental tenures, with the rent being reviewed at relet based on 80% of open market rent capped at the LHA rate.

2.8 The continuation of rent flex at relet for new tenants within the West of the Council for tenants part of the in-house service (dwelling stock inherited from the legacy Somerset West and Taunton Council) as included in the Rent Charging Policy. This will be levied at basic rent plus 5% for general needs tenants and 10% for sheltered and extra care tenants.

2.9 The introduction of rent flex at relet for new tenants within the North of the Council for tenants part of Homes In Sedgemoor (dwelling stock inherited from the legacy Sedgemoor District Council) as included in the Rent Charging Policy. This will be levied at basic rent plus 5% for general needs tenants and 10% for sheltered and extra care tenants.

Fees & Charges for 2024/25 (see section 11)

2.10 An increase in Service Charges for tenants in the North, managed by Homes In Sedgemoor, based on predicted costs in line with the service charging policy. The introduction of a transparent 10% service charge management fee. The service charges are contained in **Appendix B**.

2.11 An increase in Service Charges for tenants in the West, managed by the In-House Service, of (a) 7.7% for Grounds Maintenance and the Support / Sheltered Housing and

PAPER A

Extra Care accommodation services, (b) 6.8% for the Piper Lifeline service, (c) other charges based on actual costs incurred for laundry, heating, communal areas, communal door entry systems, (d) no change to the communal utilities charge, (e) a new charge for exceptional street cleaning, (f) sewerage will increase in line with the Wessex Water increases for 2024/25 once known. The service charges are contained in **Appendix C**.

- 2.12 An increase of 7.7% for garage rents.
- 2.13 An increase of 6.7% on temporary accommodation daily rates.
- 2.14 An increase of 6.7% for Meeting Hall hourly rental rates.
- 2.15 An increase of 6.7% for Guest Room charges.

Capital Programme from 2024/25 (see section 12)

- 2.16 The HRA Major Works and Improvement Capital Programme for 2024/25 of £8,834,500 for HiS and £19,189,200 for the In-House Service.
- 2.17 To approve a **capital budget of £940,000** for the delivery of the **Bespoke Homes Phase 2** scheme (North of Somerset). This scheme will deliver 2 large and fully adapted new homes that will be built to low carbon standards in excess of building regulations and extend two existing council dwellings to create larger adapted homes. The proposal is to finance this using an appropriate combination of up to 29.78% subsidy from Homes England and the remainder funded by borrowing. These homes will be let at social rents.
- 2.18 To approve a **capital budget of £968,000** for the delivery of the **Rochester Road Step Down / Move on Accommodation** (West of Somerset). This scheme will deliver 8 new homes and let to vulnerable adults or children such as low complex homeless or children leaving care. The homes will use Modern Methods of construction and be of built to low carbon standards in excess of building regulations. The proposal is to finance this scheme using a combination of Better Care Funding and the remainder funded by borrowing. These new homes will be let at affordable rents and discounted if appropriate.
- 2.19 To approve a **capital budget of £2,000,000** for the delivery of the **Step Down / Move On Accommodation** scheme (West of Somerset). This scheme will deliver 16 new homes for vulnerable adults or children such as low complex homeless or children leaving care. The homes will be built to low carbon standards in excess of building regulations and use Modern Methods of construction. The proposal is to finance this

PAPER A

scheme using a combination of Better Care Capital Funding and the remainder funded by borrowing. These new homes will be let at affordable rents and discounted if appropriate.

- 2.20 To approve a **capital budget of £2,615,430** for the delivery of the **Taunton Road** scheme (North of Somerset). This scheme will deliver 11 new homes that will be built to low carbon standards in excess of building regulations. The proposal is to finance this using an appropriate combination of up to 40% subsidy from RTB receipts and the remainder funded by borrowing. These new homes will be let at affordable rents.
- 2.21 To approve a **supplementary budget of £656,760** for the current **Cricketers** scheme (North of Somerset) to fund the projected overspend to complete the scheme. This scheme is delivering 16 new homes and will be built to low carbon standards in excess of building regulations. The proposal is to finance this using Homes England capital grant, Hinkley Point C funding and the remainder funded by borrowing. These new homes will be let at affordable rents.
- 2.22 To approve a **supplementary budget of £375,000** for the current **Oxford Inn** scheme (West of Somerset) to fund the projected overspend to complete the scheme. This scheme is delivering 8 new homes will be built to low carbon standards in excess of building regulations. The proposal is to finance this using an appropriate combination of up to 40% subsidy from RTB receipts and the remainder funded by borrowing. These new homes will be let at affordable rents.
- 2.23 To approve a **budget return of £20,274,207** for the **North Taunton Woolaway Project Phase D** (West of Somerset).
- 2.24 To approve a **budget return of £10,499,189** for the **Zero Carbon Affordable Homes** scheme (West of Somerset).
- 2.25 To approve a **budget return of £950,000** for the **Tuckerton Lane** scheme (North of Somerset).
- 2.26 To approve a **budget return of £500,000** for the **Purchase of Properties for RTB** scheme (North of Somerset).

Medium Term Financial Plan 2024/25 – 2029/30 (see section 9)

- 2.27 To note the reviewed and updated assumptions in the 2024/25 5-Year Medium Term Financial Plan (MTFP).
- 2.28 To approve the transfer of four dwellings from the General Fund to the Housing

PAPER A

Revenue Account and delegate authority to the Lead Member for Communities, Housing and Culture and the Section 151 Officer to approve the final land transfer value.

- 2.29 To approve an increase in the HRA's strategic approach to generate capital receipts of approximately £1.225m through the sale of uneconomical assets on the open market.

30-Year Business Plan (see section 8)

- 2.30 The updated assumptions and figures in the 2024 HRA 30-Year Business Plan as summarised in section 7.

- 2.31 That members note the challenges and next steps for the HRA and landlord services.

3 Risk Assessment

- 3.1 Since 2012 the HRA has operated on a 'self-financing' basis, where the income generated from rents and other charges funds the delivery of the social landlord function and maintaining stock. Although 'self-financing' has provided the Council with more flexibility, the HRA is still governed by regulations that restrict full control over income (e.g. increases in rent are capped) and costs (e.g. meeting decent homes standards), and this has brought additional risk. Those risks are primarily concerned with threats to income and expenditure that could compromise the viability of the HRA Business Plan.

- 3.2 The Council places Housing Landlord risks on its risk register and this is supplemented by the Homes in Sedgemoor Board who also hold risks for the Arms Length Management Organisation. The Council has 10 risks on the risk register. At the time of writing, it reports the highest risks for the landlords relate to attraction of staff particularly trades and those with technical knowledge including surveyors and compliance specialists. Although the HRA is a ring-fenced account the potential of and the serving of a s114 notice due to general fund financial crisis can prevent or lead to the withdrawal of grant funding from government including Homes England and Department of Energy Security and Net Zero currently c£10m. Other risks for the Council as landlord relate to regulation and in particular compliance which is designed to ensure tenants and leaseholder are safe in their homes. Some HRA risks relate ensuring income is generated at the appropriate levels both rent and service charge collection and limiting void periods.

- 3.3 The following general risks and uncertainties have been identified when setting the budget for 2024/25.

Regulatory and Compliance

- 3.4 **Government Rent Policy:** A risk that applies not only to the Council but the whole Housing Sector is that the government's Rent Policy gives no direction after 2025/26 at CPI+1%. The rent settlement formula to be used from 2025 onwards has not yet been announced and the housing sector await the government publishing an initial consultation on the rent settlement from 2025. The business plan has to apply assumptions where no certainty can be applied.
- 3.5 The business plan assumes income does increase at 3.25% in 2025/26 and 2% thereafter. The service has in recent years experienced the impact of rent freezes and this does create long term and non-recoverable income loss to the business plan. However, if the government permit CPI+1% over a sustained period of time the service can invest more and faster in stock services and stock.
- 3.6 **Decent Homes Standard:** The decent homes standard is a key indicator on how well the council are investing in their homes and one of the indicators to ensure tenants live in good, thermally comfortable and healthy homes. The Council predict to have c1.8% non-decent homes as at March 2024. This is down from c3.5% as at March 2023. The two operating models differ in their performance with HiS achieving 0.18%. The Council aim to achieve 0.5% across its stock by March 2025 which would reflect top quartile performance. The most challenging element to eliminate non-decent homes relates to achieving sufficiently low Standard Assessment procedure (SAP) on some property architypes whilst also allowing affordable warmth. Although the Council has access to c£25m of grant the Business plan is being cautious and not including grants towards net zero until deliverability is more certain. This approach may allow the HRA to outperform its business plan.
- 3.7 **EPC C by 2030:** There is a duty for social landlords to improve the energy efficiency of its homes. The national climate change requirements set by government under the Clean Growth Strategy 2017 requires all social landlords to achieve EPC C by 2035. However, the strategy also requires landlords to achieve EPC C by 2030 where tenants are in fuel poverty. Therefore, it is prudent to achieve EPC C by 2030. This will require significant financial investment through the capital programme that will add to the capital financing requirement. If this standard is not achieved, then those properties would not be available to let and would result in lost income. This investment has been built into the business plan although delivery and the particular needs of some properties will continuously challenge the services ability to deliver EPC C. The

average estimated cost of c£3600 per unit to achieve EPC C. Grant funding will allow costs to be reduced.

- 3.8 **Net Zero Carbon:** There is a requirement of the Council to ensure their housing stock is zero carbon by 2050. The industry has calculated this cost at £24k per unit and this assumption has been placed in the Business Plan. However, if the service integrates net zero investment with its decent homes investment, travels in a straight line through EPC C and then to net zero without undoing previous investment it will reduce the financial requirements to achieve net zero. In addition, if the service continues to attract grant and subsidy, dispose of the properties unable to achieve good thermal efficiency and build new homes to net zero standards the service will outperform the business plan.
- 3.9 **Landlord Compliance:** Over the past few years, the regulatory and compliance requirements have increased. The landlord functions have increasingly stringent standards to ensure customers are kept safe. Recent and imminent legislation in Fire Safety and Damp & Mould has led to greater investment in a range of components and different working practices. The proportionate cost of works associated with compliance has increased significantly over the past three years. The landlords are investing significantly in electrical safety checks, compartmentalisation within blocks and fire doors and Homes in Sedgemoor with the Council has enhanced its practices to manage new Building Safety Act requirements. New national concerns for example Reinforced Autoclaved Aerated Concrete (RAAC) have hit the headlines. The likelihood of RAAC in the Council's archetypes is low but the service has been surveying a small number of buildings and has not identified structural risks.
- 3.10 Both operating models have good and well-established approaches to ensure the Council keep tenants safe. The big six compliance areas (Gas, Electric, Water, Asbestos, Fire Safety and Lifts) have now been joined by Damp and Mould. Housing is increasingly scrutinised and reputational damage as well as harm is significant if the Council fails to manage its compliance responsibilities. The Council is ultimately responsible. Performance management frameworks are in place to measure landlord compliance and new approaches have been developed to help the services respond to damp and mould cases. The Housing Regulator is currently supporting the in-house service's action plan to bring Electrical testing to top quartile performance. Regular audits take place, and we are awaiting a final report on the Fire Safety Audit recently undertaken. Performance has significantly improved and predicts top quartile industry quartile performance by April 2024

- 3.11 **Social Housing (Regulation) Act:** The core objectives to facilitate a new, proactive approach to customer regulation regime, refine the existing economic regime and strengthen the regulatory powers to enforce customer and economic regulation. The Bill includes Awaab's Law - placing additional requirements in relation to resolving damp and mould on the landlord and requiring greater professionalisation of the service. Further detail on other requirements will follow, for example the need for all Housing Managers to have professional qualifications which, although welcomed, will add further cost pressures to the service. The Council is applying the new Tenant Satisfaction Measures in an identical way through its two operating models and reporting these through Key Performance Indicators. The Act requires several changes to home safety, tenant satisfaction measures, complaints handling, a new inspection regime for social landlords and a strengthened role for the Regulator of Social Housing. The Act provides the Council with additional impetus for the two operating models to share best practice and learn from one another. The in-house service is focussing on improving communication with tenants, within the service and on Core Service delivery (repairs, compliance, capital programme, voids/lettings, tenancy management and income collection). Homes in Sedgemoor will retain a focus on core services which are performing well such as rent collection and tenant engagement whilst looking to improve in areas such as major voids, leasehold management and lift servicing.
- 3.12 **Responding to increased stock quality standards:** Changes to the Regulator of Social Housing's decent home standard as well as net zero targets and milestones place an additional financial burden on resources. Both operating models have been successful at attracting grant and aligning some energy works with capital programmes to partially offset costs. For example, the HRA is currently using Social Housing Decarbonisation funding wave 1 & 2 and ECO4 utility obligation to minimise the cost of low carbon retrofit. After a period of transition, the Council will have a single strategy and delivery priorities towards Net Zero. The bringing together the two operating models under one HRA allows greater scope for securing grant and delivering energy efficiency works.
- 3.13 **Right To Buy (RTB) Receipts:** This is a government policy that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The receipts allowed to be retained by the Council can now fund up to 40% of new social housing costs and must be used within five years of receipt. To date, with the exception of one instance in Q1 2015/16 where receipt and interest was repaid, the Council has successfully fully spent all of their retained 1-4-1 receipts. The current MTFP / Business Plan projects that the Council will meet their 1-4-1 spend requirements during the next six years.

Economic Operating Environment

- 3.14 **Inflation:** The economic operating environment has been significantly turbulent the last few years with the Consumer Price Index (CPI) reaching 10.7% in September 2022. The CPI in September 2023 has fallen to 6.7% and prudent rates of inflation for 2024/25 budget estimates have been applied to the cost of supplies such as utilities, contracts, materials. The budgets have been set based on an estimated 4% pay award, but no official decision has been made.
- 3.15 **Cost of borrowing:** The Bank of England has maintained interest rates at 5.25% after reaching a 15 year high in August 2023. This is having a significant impact on the budget estimates for 2024/25, the MTFP and the 30-Year Business when (a) existing debt (currently all on fixed rates of borrowing) falls due and a decision is made to re-finance this debt on current market rates, (b) any in-year borrowing or investment between the General Fund and HRA within the Council based on the year end Capital Financing Requirement, and (c) to finance any new borrowing requirements.
- 3.16 The PWLB has applied a reduction in the margin applied to loans that will be used to fund capital expenditure within the Housing Revenue Account (HRA). Available from the 15 June 2023 (until the 30 June 2025) qualifying loans will attract a margin of 0.40% above Gilts which is a discount of 0.60% below the published PWLB rates.
- 3.17 The Council continues to explore opportunities to subsidise schemes and reduce the HRA's borrowing requirements through grants available from Homes England and Social Housing Decarbonisation Fund, Energy Company Obligation, respectively for (a) social housing development and regeneration schemes, where the Council can only obtain a maximum of 40% subsidy from the RTB Scheme (subject to criteria) leaving the Council to borrow to finance the remaining 60% cost of the scheme, and (b) for the Major Works and Improvements Capital Programme, where costs are increasing to fund the delivery or EPC C by 2030 and Net Zero Carbon by 2050, if the programme exceeds the annual depreciation contribution to the Major Repairs Reserve then the Council will need to borrow to finance the remaining.
- 3.18 **Capital Programme Forecasts:** Engaging with Contractors at all tiers continues to be very challenging, therefore the risk to the capital programme and forecast costs should be considered. The labour and materials market are still in short supply, with Contractors unable to resource both tenders being issued on projects on site. As such, competition in the market is more limited than it has been for some time.

PAPER A

- 3.19 The cost pressure created by inflation, the liquidation of a number of contractors, logistics challenges and the general acceleration to get projects to site, is causing previous fixed price contracts to be re-appraised within a matter of months of a successful tender. The resulting impact of this cost pressure is resulting in Tier One (larger scale) Contractors often turning down tender opportunities unless an inflation clause (requiring the Client to take the risk of inflation), is included in Contracts, whilst smaller Contractors are withdrawing tenders after submission or operating on such a small margin as to put them at risk of failure. The service has successfully procured a greater number of smaller contractors to deliver Kitchens and Bathrooms and is seeking to procure mid-range contractors for future development schemes. In addition, recent contracts for demolition are showing some market improvements for the service. The service is increasing its contract management capacity to ensure effective contractor oversight.
- 3.20 There is no question that the cost of maintenance and construction has significantly increased over the past two years. The forecast tender price inflation market appears to be at a turning point as inflation and demand pressures fall. This may see new opportunities during the tendering of works however the baseline is significantly higher than 2021/2022. The material price index in January 2023 increased by 10.4% (All Works) which was slightly down on previous months. Tender price inflation appears to be dropping to around 3% in 2023 compared to 3.75% in 2022. Although the Housing Revenue Account is sufficiently robust the ability to deliver works will in part relate to the solvency of contractors and their ability to manage the economic environment.
- 3.21 **Recruitment:** The Council is experiencing recruitment issues (as seen country-wide) to fill vacancies. This is greater in trades and technical skills such as compliance and surveying. Unfortunately, where the service is unable to attract permanent staff with the skills necessary it turns to agency workers which bring higher cost and by their nature are transient. The In-house landlord service has recruited five graduate recruits and both delivery models try and support a small number of apprentices. The HRA has renewed its enthusiasm for growing our own talent.
- 3.22 **Cost of living crisis, Welfare Reform and Universal Credit (UC):** The impacts of these are significant with the number and value of rent accounts in arrears expected to increase considerably, albeit we have managed to contain this to date. Several mitigations are already in place to help support tenants affected particularly by the rising cost of living such as debt advice, access to discretionary housing payments and an arrears management team with redesigned workflow processes and the introduction of a new VoiceScape system to automatically remind customers of arrears.

Operational Delivery

- 3.23 **Repairs & Maintenance:** Overall this is a very demand led and reactive service based on the needs of the tenants. There are also a number of uncontrollable variables associated with this service such as the weather (e.g. flooding, cold winters causing burst pipes, roof leaks, etc), condition of properties when returned (e.g., void refurbishments), consumer demand on minor internal / external repairs (e.g., broken door or fence) and the type of repair work required. Market pricing of materials etc can also be volatile with some unit costs increasing in recent years. As such the levels of demand do not always follow a recognisable trend. In addition, the inability to fully deliver the capital programme (mentioned under 3.14) inevitably pushes the cost of our repairs (and voids) up, making these budgets difficult to manage. We therefore caveat the forecasts in these areas to account for fluctuations.
- 3.24 **Fluctuation in demand for services:** We operate many demand-led services and the levels of demand do not always follow a recognisable trend, which may lead to fluctuations in costs and income compared with current forecasts. We have certainly seen an increase in demand for tenancy management support for complex cases, often related to poor mental health, which brings additional costs to the service. Regulatory change is increasing the landlords need to improve access to the service and by its nature increase demand. Increase in demand can be a positive, if there is sufficient officer capacity to meet it as early intervention can limit damage and save maintenance costs to the landlord.
- 3.25 **HRA Service Level Agreements with the Council:** The HRA has been systematically reviewing and formally agreeing new service level agreements, as part of the new unitary council, which will help the landlord functions operate through the purchase of General Fund skills. For example, finance, human resources, business support, governance, etc. The in-house landlord is looking at all its services in order to secure appropriate resources from within its own structure or through other Council directorates. It is envisaging the new Service Level Agreements will allow the landlord and HRA strategic business team to better meet the challenges as a highly regulated social landlord.
- 3.26 **General Fund financial pressures:** There are various risks to the HRA due to the Somerset Council's General Fund financial pressures. One risk is the suspension of grants to the HRA if a Section 114 notice is served. Grants that could be impacted

would include all Homes England grants including the recently awarded £5m regeneration grant and other grants supporting growth, as well as the energy grants.

- 3.27 In addition, cost pressures to Somerset Council's General Fund could impact on the level of support available to tenants with complex needs (e.g. mental health support, social care support, learning disability services; externally funded advice and support services). This may result in more tenancy breakdown, antisocial behaviour and complex behaviours requiring far more intensive officer support which will increase our costs and reduce our ability to provide a good service.
- 3.28 **Movement in Business Plan Assumptions:** The HRA Business Plan incorporates many assumptions that contribute to the financial assessment of strategic and operational aspirations over the 30-year period. These include rates in inflation on income and expenditure, rates for new borrowing, minimum reserves levels, projected revenue and capital spend, etc. The direct influence officers have on some of these that could have a big impact is minimal (e.g. rates of inflation and borrowing) and we are at risk of having to react to external political and economic market influences as they occur.

Technical Accounting Risks

- 3.29 **Bad Debt Provision:** The budgeted bad debt provision of £197k provides financial capacity for any increase in arrears and / or aging debt from one year to the next as well as any in-year write offs. This is a year-end technical accounting adjustment. The key challenges facing the arrears position are the pressures to maximise rental income in an environment of reduced government support and greater need to utilise internal resources; the 'cost of living crisis' marked by reductions in real income accompanied by increases in utility, fuel costs and food prices; welfare reforms which have made extensive use of sanctions and reductions in eligibility; and the impact of the COVID pandemic. Homes in Sedgemoor have excelled at managing income and are currently in the top ten social housing landlord nationally. The in-house service does not compare as well but is still performing within the top quartile industry standard. Income generation and managing debt is being elevated in importance for the service and new software is being introduced to support this critical work.
- 3.30 The approaches incorporated at the Council to aid the HRA's enforcement of debt and support to tenants include providing direct welfare benefit advice and support; facilitating access to employment and training, support and advice; facilitating access to debt prevention support; and opportunities for flexible rent payment.

- 3.31 **Unitary Council:** The landlord functions have transitioned well into the new authority. The structure of the service now reflects the overarching responsibilities of the Council as it delivers services to tenants through two different delivery models, the in-house service and Homes in Sedgemoor. The creation of a small team responsible for the HRA business plan, regulation, compliance, asset strategy and overall landlord performance for all 10,000 homes moves the service forward. The council is set for driving forward an option appraisal commencing in the next eighteen months. The service has managed to establish governance arrangements to ensure timely decision making for the councils inhouse and arms-length management organisation. The challenges since April have included working with new financial systems, learning other corporate software including financial, risk management software and working to procedures such as those in relation to recruitment and governance.
- 3.32 The Business Plan provides comfort that the costs of the HRA can be met in the short and medium term if income is maximised and capital and net zero programmes are efficiently delivered. From a capital perspective the Business Plan does provide some headroom to allow non-right to buy receipts to be used as flexible capital receipts to fund transformation costs. Revenue costs of implementation are not currently budgeted and will place additional pressures on the HRA budget and reserves, thus we will need to review planned expenditure and reserves during the business planning process in 2023/24.

4 Partnership Implications

- 4.1 A range of HRA services are provided through partnership arrangements such as MIND, citizen's advice, etc. The cost of these services is reflected in the Council's financial outturn position for the year. The Housing Revenue Account is increasingly having to question the funding of services outside its core service and will need to review these on an annual basis to determine whether future delivery can be afforded.

5 Scrutiny Comments / Recommendations

- 5.1 This report will be considered by Corporate and Resources Scrutiny on 1 February 2024. A summary of the comments and recommendations discussed will be provided here (or a verbal update) for the Executive to consider on 7 February 2024.

6 Background and Full details of the Report

- 6.1 Since the 1 April 2023, Somerset Council has managed two landlord operating models

PAPER A

which sit under one Housing Revenue Account. The two landlord operating models are an in-house service in the West, formerly Somerset West and Taunton (SWT), and Homes in Sedgemoor which is an Arm's Length Management Organisation (ALMO) operating in the North, formerly Sedgemoor District Council (SDC).

- 6.2 The combined total dwelling stock as at 1 April 2023 is 9,665 (5,653 from SWT and 4,012 from SDC). In addition to this there are 599 leasehold properties (489 from SWT and 110 from SDC).
- 6.3 The HRA is a ring-fenced, self-financing, account used to manage the Council's housing stock, with the Council acting as the Landlord. This has been the case since April 2012 where, under the Localism Act 2011, the government abolished the national subsidy system (which required an annual payment from the HRA to Central Government) and introduced 'self-financing'. This new system enabled Councils to retain all rental income to fund the costs of managing and maintaining the housing stock, as well as meeting the interest payments and repayment of debt. As part of the self-financing agreement, Councils had to buy themselves out of the subsidy system by making a one-off payment to the Government. The capital debt taken on in 2012 was a total of £133m; £85.198m for the Taunton Deane Borough Council legacy authority and £47.321m for the Sedgemoor District Council legacy authority.
- 6.4 In order to manage the freedoms gained by the HRA through self-financing, a new **30-Year Business Plan** (2012-2042) was introduced. The plan is reviewed and updated on an annual basis, to take into consideration changes in national policies, local aspiration and the economic operating environment. The plan sets out the Councils' overall aims and objectives for the Housing Service, as well as laying out plans to manage the increased risks and opportunities.
- 6.5 The HRA 30-Year Business Plan has been reviewed and updated again as part of the 2024/25 budget setting cycle. In light of the update provided to Members on the 13 February 2023¹ (Housing Revenue Account Rent Set Report 2023/24 and Updated 30 Year Business Plan) which highlighted that balances were projected to fall below minimum levels in year 8, significant changes have been proposed to the capital programme. The balance is now projected not to fall below minimum levels until 2048/2049. Amendments to the business plan has pushed back this key risk by 18 years. The key changes / updates to the plan are described in section 7 below.
- 6.6 The system of 'self-financing' does bring financial benefits and more flexibility,

¹ Housing Revenue Account Rent Set Report 2023/24 and Updated 30 Year Business Plan – [SCC Full Council 22 February 2023](#) (Paper E)

especially since the borrowing cap was removed on the 29 October 2018 which assisted with the ability to fund new build development. However, the HRA is still **heavily regulated** from both a financial and operational perspective. For example, rent increases are restricted by the Regulator of Social Housing's Rent Standard and there are specific regulations which govern eligible income and expenditure to prevent cross subsidy with the General Fund.

- 6.7 In addition, the HRA faces regulatory pressures in terms of substantial investment required in existing stock and management resources to deliver (a) the Decent Homes Standard that stipulates the condition of properties (b) building safety compliance (as per the requirements of the Building Safety Act 2022 and the new regulatory regime being introduced by the Building Safety Regulator), (c) the requirements of the Social Housing (Regulation) Act which hold Housing Providers (including council managed housing) to account for poor performance, (d) EPC C by 2030 as set by the government under the Clean Growth Strategy 2017, (e) decarbonisation commitments by 2050, as well as (f) continuing to invest in much needed new homes.
- 6.8 The HRA continues to face a number of risks and issues, some of which could be significant, but the actual financial impact is not yet known. These risks and issues are more significant for us as we proactively drive forward substantial investment in our existing housing stock to achieve EPC C by 2030 and Net Zero Carbon by 2050, as well as trying to maintain our housing stock levels through new build social housing development schemes. These risks and issues are discussed in section 3 above.
- 6.9 **Opportunities of One Single HRA and Joint Working within the Unitary Council:**
The Council's two operating models which deliver the landlord functions will continue to operate as they did previously however there are various transitional projects taking place which will enable the Council to compare the two models like for like and improve its decision making. These transitional projects will also allow the Council's in-house service and Homes in Sedgemoor to learn from one another. The transitional programme will also recognise the opportunity to enhance the Council's strategic Housing Revenue Account responsibilities. This will allow the council to be a better client to the arm's length service and its own in-house service. The transition will see appropriate resources at landlord function level and at the strategic level allowing the in-house and Homes in Sedgemoor landlord service to be ambitious in delivering great and improving services to customers and allow the Council to make strategic decisions in relation to stock investment, growth, rent setting, zero carbon homes and administering its statutory and regulatory responsibilities.
- 6.10 The Council in c18 months will commence an options appraisal of its HRA management

PAPER A

and ownership arrangements for its 10,000 homes. The options appraisal will require a comprehensive look at the opportunities to deliver landlord services. The options would tend to be: stay as we are (two delivery models), a single council management organisation (Inhouse or ALMO) or stock transfer. The speed at which the Council will be able to consider options will depend on the quality of the preparation for the appraisal. To ensure the option appraisal process which will involve, Members, Staff and Tenants a transitional programme has been designed. This programme entitled 'Preparations for Option Appraisal' has four projects which are:

- Successful Desegregation of Landlord and HRA - this transition project is now advanced
- Increasing capacity of Tenant Engagement within landlord services – Both HiS and the Inhouse service are working separately and collectively to support a strong body of engaged tenant
- Communication, publicity & promotion – This will be a critical element of the option appraisal to ensure Member, Staff and Tenants are engaged during the option appraisal process and influencing the preferred option.
- Ensuring robust financial data to support Options Appraisal – Ultimately the Council will be seeking to ensure tenants are able to receive the best services and quality of accommodation. The option appraisal process requires the capacity of the council's financial expertise to ensure the strengths of the different operating models are measurable and able to be compared.

7 HRA 30-Year Business Plan Review

- 7.1 The HRA 30-Year Business Plan (the Business Plan) is updated on an annual basis alongside the budget setting process. This is to ensure that any changing assumptions do not adversely affect the ongoing concern of the business. This review also ensures that significant programmes of work (e.g. within the capital programme) are still viable and affordable and gives the business opportunity to flex the delivery of these schemes if required to improve the financial operating position of the business.
- 7.2 The combined HRA 30-Year Business Plan presented to Members on the 14 December 2022 and 13 February 2023, showed that the forecast for general balances fell below minimum levels in year 8 (2029/30), and that it was recommended that the New Council would need to review the Business Plan and the Housing Strategy for the whole of Somerset.
- 7.3 The Business Plan has been updated to reflect the Budget Estimates for 2024/25 (see section 8 below) as well as updated assumptions surrounding the current economic

operating environment. These updates have been reviewed by an independent financial housing advisor, Altair (Housing Finance Associates Ltd).

- 7.4 **Baseline Summary:** The assumptions contained within the updated Business Plan presents a starting position that is affordable for much of the planning period but becomes financially unsustainable from 2048/49 when balances fall below minimum levels - the key performance measures described below provide more explanation on this. Where the previous forecast for general balances fell below minimum levels in year 8 (2029/30) the updated Business Plan is showing a **significantly improved position** with general balances maintained until year 25 (2048/49).
- 7.5 The projections allow for a substantial decarbonisation requirement which increases costs substantially from current levels but is not supported by additional income or funding. The financial impact of this additional cost has been partly mitigated by a medium-term efficiency programme and reduced corporate costs, alongside the current government grant schemes and increased expectations for open market asset sales built into the Baseline projections. There is emerging intelligence on decarbonisation and other pressures meaning that the position will continue to evolve. However, further mitigating actions will be required to provide an affordable position with capacity for new homes and other potential pressures and to safeguard the long-term financial sustainability of its HRA.
- 7.6 **Future New Build Social Housing Programme:** The current Business Plan does not have the capacity to deliver a development programme (after 6 years) to fully meet the RTB 1-4-1 spend requirement over the 30-year period. This is due to the capital investment required to deliver EPC C by 2030 and Net Zero Carbon (decarbonation) by 2050, whilst ensuring that the development programme can meet 1-4-1 spend requirements over the next 6 years.
- 7.7 The RTB position is a strategic financial risk that will need to be managed on an annual basis to ensure that RTB 1-4-1 spend targets can be met for the following 6 years with each iteration. If this is not possible then the Council will need to consider building capacity into the business plan to make this affordable (e.g. embedding further efficiency savings, reducing major works and improvements capital programme, etc), otherwise the Council will need to consider gifting the receipts to a Registered Housing provider or repaying capital receipts upon sale to the Treasury to avoid interest payments of 4% above base rate. The HRA and Housing Enabling teams believe this is a manageable challenge with a focus on growth and grant as well as the opportunity to develop a county wide Registered Provider partnership in the next 2 years.
- 7.8 **Potential Options for Mitigation:** Altair have suggested some potential options to

PAPER A

mitigate the reducing affordability of the Business Plan in later years to include prioritising the reduction of underlying costs where possible, to review procurement arrangements and renegotiate contracts where possible, ensure HRA share of corporate costs is reasonable and will be one of the key themes of the option appraisal process. The alignment of the capital/ decent homes programme, grants and net zero could considerably reduce the business plans assumed investment in net zero. This mitigation has already commenced with the HRA being able to access up to c£25m of grants for low energy over the next three years.

- 7.9 The HRA needs to operate as a long-term business. We recommend establishing and embedding a business-like approach that maintains a continuous focus on minimising costs and maximising income. This will help the council to generate additional financial capacity continuously as part of its response to emerging pressures and opportunities, while investing in its stock and improving outcomes for tenants.

Key Assumptions and Main Changes

- 7.10 In summary, the key assumptions and projections are as follows:

- Revenue Budget Estimates for 2024/25
- Capital Programme for the next 10 years
- Underlying inflation assumptions with Consumer Price Index (CPI) at 3.25% for 2025/26 (Bank of England Monetary Policy from November 2023) and 2% from 2026/24 onwards (long term HM Treasury Target)
- Dwelling Rent increases assumed of 7.7% in 2024/25 and CPI thereafter
- Existing properties relet at formula rent
- Rent flex continuing for homes managed by the in-house service only
- Void loss at 2.0% of gross rental income from 2025/26
- RTB Sales if 55 per annum with an average sale value of £100k
- Interest on new debt at 4.5% until 2025/26, reducing to 3.5% thereafter
- Minimum reserves position of £3.722m
- Efficiency gains of 2% from 2025/26 to 2029/30 on general management as well as repairs and maintenance
- Reduction of £700k in corporate costs in 2025/26
- Increased income of £50k pa for 5 years starting 2025/26 from service charges full cost recovery review
- Increased capital receipts of £1.225m per year from 2024/25
- Social housing development programme to include the approved Penlea House, Bigwood and Staple, Bespoke Homes 1, Syndenham, Carrotts Farm, Stafflands Farm, Cricketers, Seaward Way, Oxford Inn and North Taunton Woolaway Project,

PAPER A

Local Authority Housing Fund units.

- Social housing development programme to include the proposed Taunton Road, Bespoke Homes 2, Rochester Road and Step Down / Move-On Accommodation, appropriated properties from the previous SSDC.

7.11 **Main changes to the Business Plan:** The main changes to the Business Plan key assumptions and projections from February 2023 include increased income projections, reduction in revenue costs, increased capital receipts from asset sales, increased efficiency savings target, increased major works and improvement capital programme to deliver decarbonisation, a reduced development and regeneration programme. Further information can be found below:

(a) Projected income levels are now higher. This is primarily caused by:

- a greater rent increase for 2024/25 (7.7% compared with 6.5%)
- a current expectation that rents will increase by 3.25% in 2025/26 (previously 2%)
- the current version also includes a mitigating action on service charge recovery, which improves the position further over the medium term
- these result in higher levels of revenue income from 2029/30 onwards

(b) Revenue costs are much lower. This appears to be driven by:

- mitigating actions for delivering efficiency gains and cost reductions over the medium term, which reduce operating costs substantially
- lower interest rates of 3.5% from 2026/27 assumed for new borrowing in the current projections (the previous projections assumed 4.5%)

(c) Capital expenditure projections are quite different, but produce similar levels of investment by 2051/52, however the capital financing is different due to the focus of delivery:

- the current projections prioritise EPC C by 2030, Net Zero Carbon by 2050 and investment in the existing stock over new build.
- whereas the previous version focused on the decent homes standard, had some decarbonisation built in for the in-house service but none for HiS, and had an

extensive new build programme.

(d) Debt levels are higher under the current version:

- debt levels are higher because the HRA CFR at 1 April 2023 is £20m higher than projected in the previous version. This matches the new loans taken out by the HRA in March 2023.
- decarbonisation spending is also driving debt levels up and were not included to the same extent in the previous projections.
- higher overall income levels and the effects of assumed mitigating actions mean the greater projected debt level is more affordable.

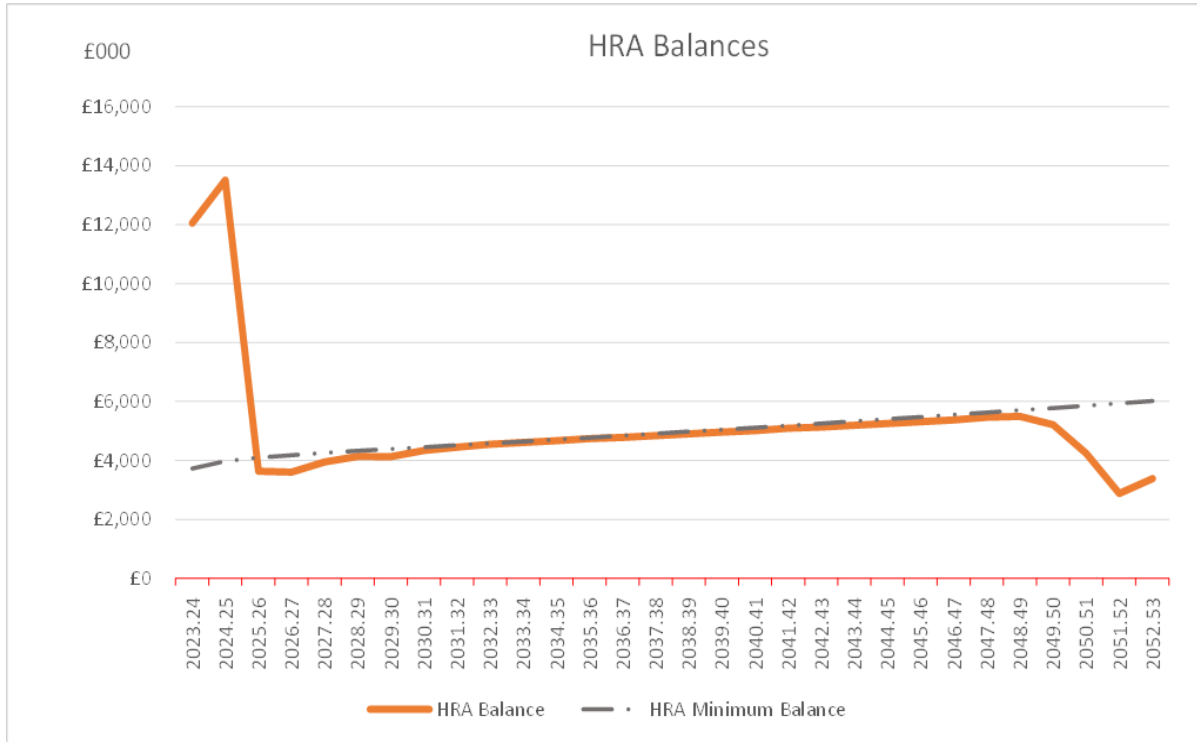
Key Performance Measures

7.12 The following key performance measures have been used by Altair to assess the affordability and financial sustainability of our operational aspirations in light of the updated assumptions and projections within our Business Plan.

7.13 **Minimum General Reserves Balance:** This is maintained at above the recommended minimum balance of £3.722m throughout the majority of the forecast, dropping below in year 25 (2048/49). The business plan assumes that any “excess” rents generated

PAPER A

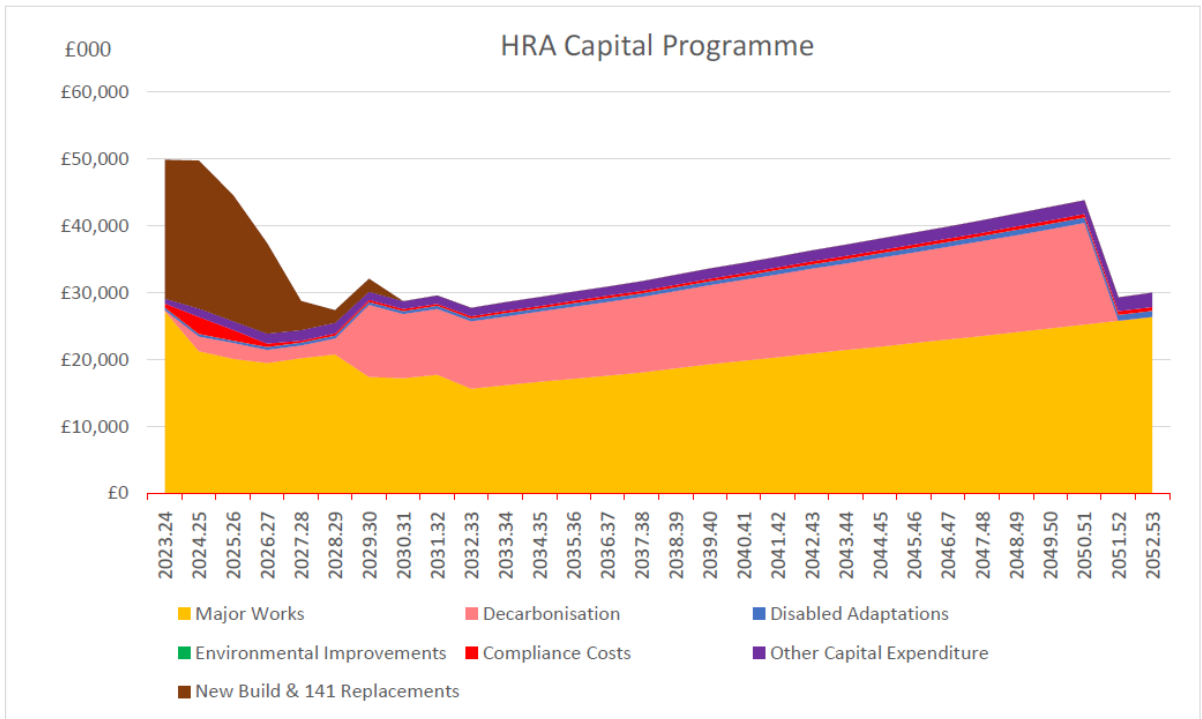
are made available to repay debt.



7.14 **Capital Programme:** The proposed capital programme allows for a new build programme that produces 448 new properties by 2029/30 (brown area), while continuing to maintain the existing stock (amber area). The investment requirement increases after the medium term to make allowance for the potential costs of

PAPER A

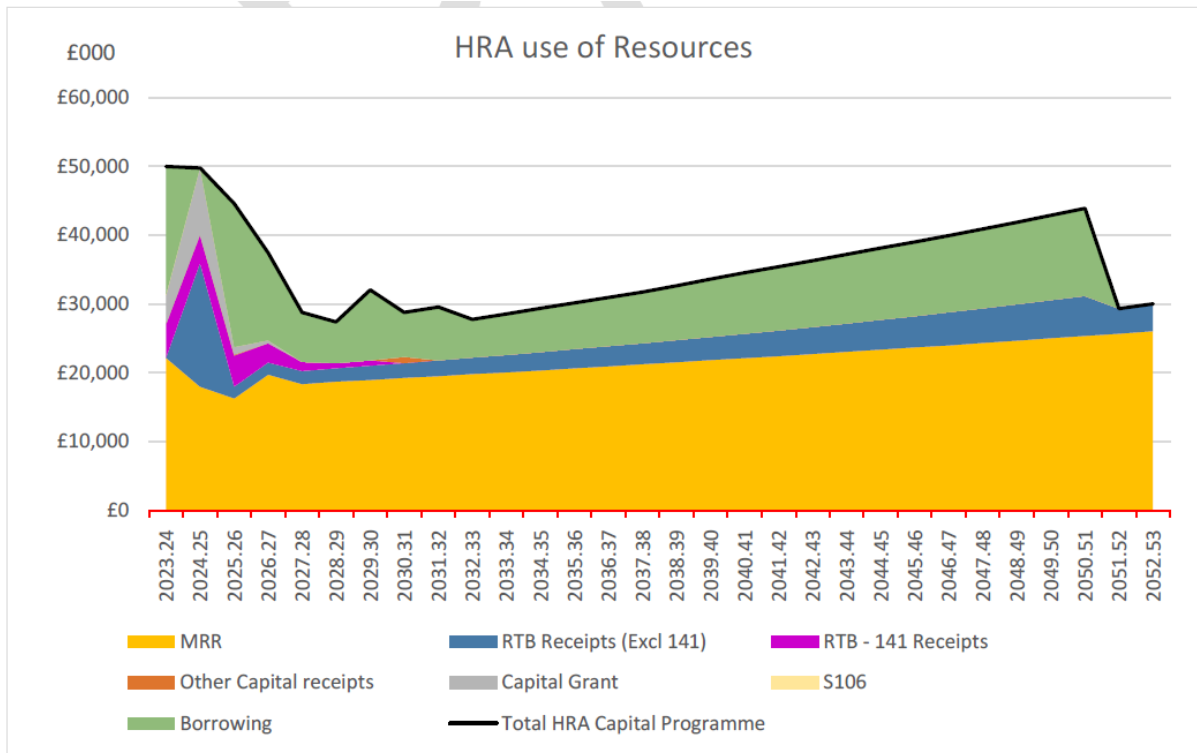
decarbonisation investment (pink area).



7.15 **Capital Financing Requirement:** The Council is able to finance this capital programme using a combination of projected resources and additional borrowing. The chart shows that the Council remains heavily reliant on borrowing to finance the capital

PAPER A

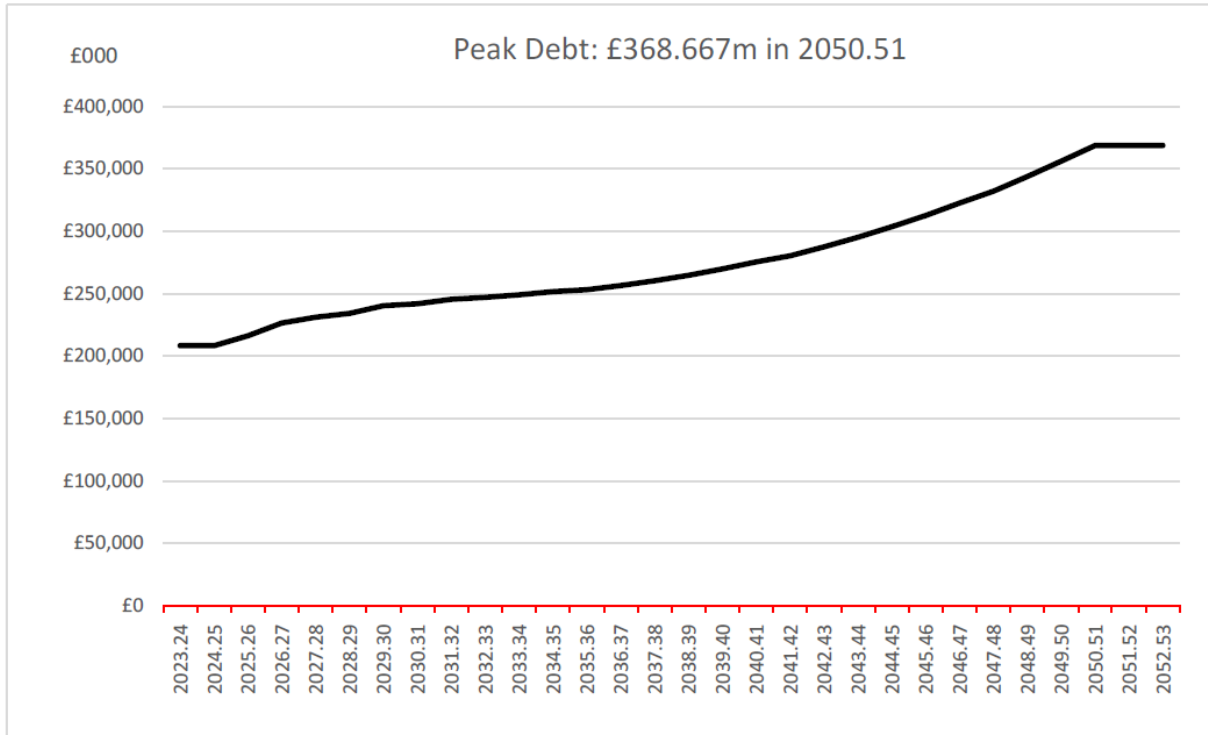
programme throughout the period.



7.16 **Level of Debt:** This shows the level of borrowing required to finance the capital programme which is greater than the ability of the HRA to repay debt. Peak debt of £368.667m is reached in 2050/51, which corresponds with the end of the substantial decarbonisation investment programme. Debt then remains at this level for the last two years of the projections. Revenues are not strong enough for the authority to start reducing debt levels at any point during the projections. Instead, HRA debt continues

PAPER A

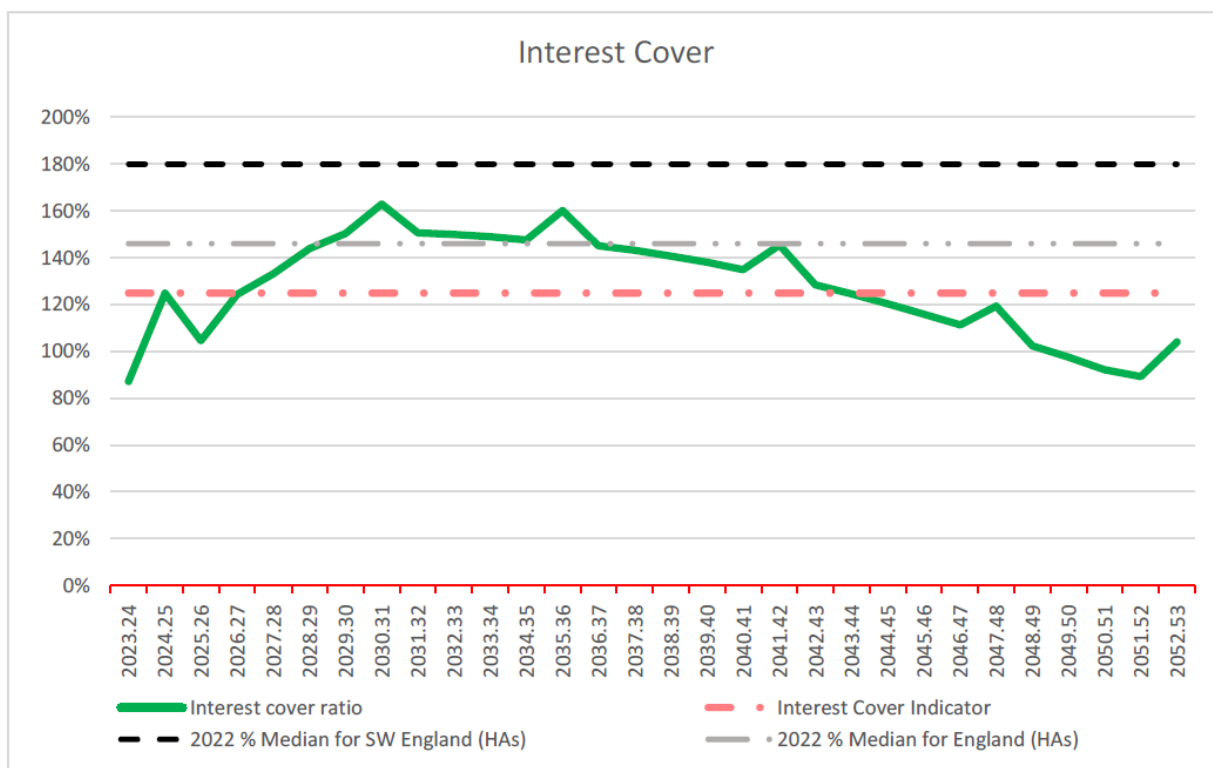
to rise until year 28, exposing the authority to potential interest rate risk.



7.17 **Interest Cover:** The interest cover (green line) measures the ability of the HRA to pay the interest charges associated with its debt. The dashed pink line on this chart provides an indicative rate of 125%, at which the authority's operating surplus would be enough to cover the cost of interest charges, plus a further 25%. To facilitate comparisons, the two grey lines indicate median levels of performance for housing associations. This measure is widely used by housing associations and indicates the ability to pay for debt-related costs.

7.18 Mitigating actions included within the projections over the medium term enable the HRA to improve its performance to the 125% level and above from 2026/27 to 2043/44. The authority would need to agree and implement further actions to prevent debt levels becoming unaffordable from 2044/45 onwards.

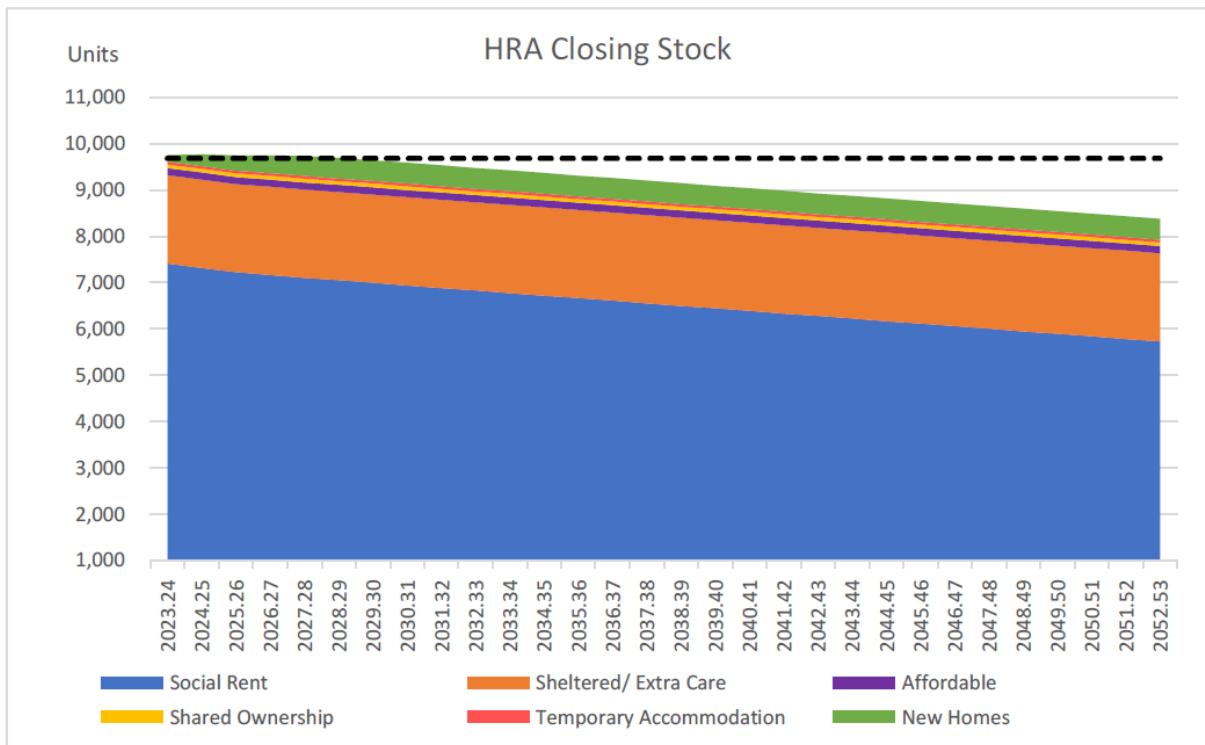
PAPER A



- 7.19 **Stock Levels:** The final chart shows the movement in stock numbers, taking into account the expected new homes, regeneration of existing dwellings, along with the effects of continuing RTB sales and other disposals.
- 7.20 This chart sees stock numbers keeping pace with the rate of disposals while the development and regeneration programme is delivered, reaching a peak of 9,774 homes in 2024/25. During this period the number of dwellings stays at around current levels (shown by the black dashed line).
- 7.21 From 2028/29 the number of homes declines each year from continuing right to buy sales estimated at 55 units pa and a fall in development schemes. By the end of the

PAPER A

30-year projection the stock drops to 8,381 units.



Scenarios and Sensitivity Testing

- 7.22 Altair have tested the projections in the Business Plan using a range of scenarios and sensitivity testing which show that the HRA is very sensitive to changes in the underlying assumptions.
- 7.23 There were eight specific scenarios that were assessed for their impact on affordability and financial sustainability – the impact on general reserve balances, the level of capital financing requirement, the ability to generate net income that is 125% or more of the cost of interest on debt and the ability to repay or reduce debt over the long term – to illustrate the potential impact on the HRA of different decisions and changes in the operating environment. These scenarios included:
- A. Reducing rent loss from void properties to 1.5% from 2025/26.
 - B. Extending the use of rent flexibility to dwellings re-let by Homes in Sedgemoor.
 - C. Increasing the number of dwellings sold on the open market to 5 a year from

PAPER A

2025/26 to 2029/30.

- D. Combining scenarios A to C, above.
- E. Implementing a 5% rent increase for existing tenants in April 2024.
- F. Implementing a 0% rent increase for existing tenants in April 2024.
- G. National policy on rent increases returns to CPI +1% from 2025/26 to 2028/29.
- H. The Council receives 20% external funding for investment in decarbonisation.
- I. Interest rates increase by 1% against the baseline assumptions from 2026/27.
- J. Interest rates decrease by 1% against the baseline assumptions from 2026/27.

- 7.24 In summary, any reduction in the level of income generated negatively impacts on the financial health of the HRA (scenarios E and F) as this has a cumulative impact on the overall position. The HRA will have fewer financial resources to support investment or respond to emerging pressures. The HRA would have to borrow more to finance its capital programme which means it also has to use a greater share of its rental income to service and repay debt. These scenarios caused the HRA to go into deficit over the long term which could lead to a potential unlawful situation.
- 7.25 Conversely, the position improves if the Council maximises income (scenarios A and B) within elements of their control – with rent flex having the largest positive impact – or the national policy announces CPI+1% from 2025/26 onwards or the government announces additional funding for investment in decarbonisation. These scenarios all reduce the HRA’s borrowing requirement which would lower the level of interest charges on debt. Lower interest charges allow more of the income from tenants to be used to respond to emerging pressures, invest in the stock or develop new homes.
- 7.26 Exposure to interest rate variability is a key risk within the HRA projections. The Council will need to review and update its modelling assumptions regularly to ensure that exposure to this risk is understood and remains manageable.

8 Budget Estimates for 2024/25

- 8.1 Members are asked to approve the proposed HRA Revenue Budget for 2024/25 as shown in **Appendix A**
- 8.2 The HRA revenue budget’s main items of expenditure are management and maintenance costs, interest payments and depreciation costs. The budget also includes income incurred from managing the Council’s own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council’s own tenants. The main sources of income are from tenants in the form of

PAPER A

rents and service charges).

- 8.3 Table 1 below provides a summary of the main proposed changes to the annual revenue budget estimates from 2023/24 to 2024/25.

Table 1: HRA Budget Setting 2023/24 to 2024/25 Changes

	£000	£000
Original Budget 2023/24 (balanced)		0
Reversal of One-Off Budgets in 2023/24:		
RCCO		- 1,163
Contribution from General Reserves		1,650
Other		30
Pressures in 2024/25:		
Inflationary Pressures -		
Depreciation	803	
Salary Costs (23.24 and 24.25)	741	
HiS Management Fee	432	
Cost of Materials	380	
Internal Recharges	200	
Insurance Premiums	158	
Other Inflation	154	
Growth Bids -		
Interest Payable	591	
Compliance	243	
Pre-Planned Maintenance	161	
Subscriptions	108	
Training	60	
Staff Changes for revisions in Structure	50	
Voids - Utilities and Rates	50	
Bad Debt Provision	50	
Other Pressures	259	

PAPER A

Total Pressures		4,425
Savings / Increase in Income in 2024/25:		
Dwelling Rental Income	5,730	
Fleet Contract (IFRS 16)	267	
Service Charges Income	217	
Other Savings	18	
Total Savings / Increase in Income		6,232
Budget Gap		- 1,291
One-Off Funding to General Reserves		1,291
Proposed Original Net Budget for 2024/25		0

8.4 The main changes over £50k creating a pressure include:

8.5 **Depreciation:** The depreciation charge for the HRA is transferred to the Major Repairs Reserve (MRR) to be reinvested in the housing stock through financing of the capital programme and/or repay capital debt. Depreciation is calculated based on each of the major components of each property, for example kitchen, bathroom, roof, etc. The estimated budgeted growth relates to the projected increase in Housing Price Index inflating the value of the dwellings and the Construction Output Price Index inflating the component replacement cost of materials.

8.6 **Staffing Changes and Inflation:** There is an inflationary cost increase of c£741k for the 2023/24 pay award top up (as the budget estimate was only 5%) and an estimated 4% pay award for 2024/25, based on the new structure.

8.7 This pressure includes a net growth of £50k for the revisions in the structure de-segregating the in-house service and creating a small HRA business function. This included an increase in costs of £870k offset by an increase in staff funding of £200k from grant income and a proposed transfer of £620k for some functions that were previously delivered through the shared staff arrangement with the GF into the HRA base structure. In addition, the HRA has the benefit of capitalising some additional posts in the structure, utilising the SDC's residual HRA budgets in a way more appropriate following LGR and the annual reviews of service level agreements with the general fund will ensure small increases in staffing costs are affordable.

8.8 The new structure of the HRA has aligned the responsibilities to be more alike responsibilities being undertaken by HiS. A new HRA business function holds the responsibility for the HRA business plan, income, asset investment and development programmes including Net Zero. The small HRA business function oversees the Council’s regulatory responsibilities (compliance, RTB, Social Housing Regulation Act) and strategic direction such as asset management and zero carbon strategies. The HRA business function ensures both operating models are aligned to the priorities of the Council and Council tenants across the local authority can benefit from similar standards. The structure has little change for HiS who benefit from a comprehensive management agreement however the housing enabling function will come back in house from April 2024.

8.9 **Homes In Sedgemoor (HiS) Management Fee:** The housing stock in the North of the county (from the legacy Sedgemoor District Council area) is managed by HiS under a management agreement with HiS being paid a fee. The annual management fee payable to HiS is included in the business plan and includes an annual inflationary increase of £409,000. If HiS require additional funding this has been requested as growth in addition to the annual fee. The total Housing Management Fee payable to HiS in 2024/25 is £10,142,500.

8.10 Table 2 below shows how the management fee is allocated out across the HRA, noting the budget allocated to each line will be updated in year by advice from HiS.

Table 2: HiS Revenue Management Fee for 2024/25

	£	£
Income		1,224,400
Expenditure:		
Repairs and Maintenance	4,943,600	
Supervision and Management	4,842,200	
Special Services	844,400	
Rents, rates taxes and other charges	736,700	
Total Expenditure		11,366,900
Net Management Fee		10,142,500

8.11 **Cost of Materials:** The in-house landlord service includes budgetary provision to cover the costs of undertaking minor repairs and maintenance and void refurbishments to its existing assets on an annual basis. The budgets have been inflated by 15% to represent

the expected rise in the cost of materials.

- 8.12 **Internal Recharges:** These are charges for costs shared by the General Fund and the HRA such as office space and ICT systems, as well as staff and share of the corporate and democratic core. These shared costs have been inflated to estimate the expected costs in 2024/25.
- 8.13 **Insurance Premiums:** The housing premiums were sourced on a competitive tender process. The Insurance market for local authorities in particular is extremely hostile at present, with the overall market responding to the global economic downturn and the cost of materials, labour and reinstatement have driven significant increases in claims inflation. The pressure increases the budget to the estimated insurance premiums for 2024/25.
- 8.14 **Other Inflation:** This pressure relates to estimated inflationary increases related to operating expenses such as electricity, gas, water, business rates, as well as contracts such as waste disposal, cleaning, fleet and fuel. This also includes inflationary increases on the Service Level Agreements with the GF for the Deane Helpline and Grounds Maintenance.
- 8.15 **Net Interest Payable:** The majority of our capital financing requirement is funded from existing long term borrowing which continues into 2024/25 and is based on fixed interest rates for the term of the loan. Therefore, we are able to predict the interest payment for these elements with a high degree of certainty and will cost £4.510m. An assumption has been made that the HRA will refinance £12m at 4.5% at the end of 2023/24 adding a further cost of £550k. The remainder of this budget is subject to the year-end capital financing requirement and position of reserves; the assumption has been made that the HRA will end the year with internal borrowing of c.£1m but is highly likely to change.
- 8.16 **Compliance Activity:** The HRA undertakes a number of compliance activities across its services including gas safety checks (LGSR's), water risk assessments and remedial works, electrical inspections (EICR's), asbestos surveys and re-inspections, fire risk assessment and remedial works, fire safety checks, and lift and stair-lift checks and remedial work. The estimated spend on delivering this activity is reviewed on a regular basis and feeds into the annual budget setting process.
- 8.17 **Pre-Planned Maintenance:** Following a comprehensive survey of the need for pre-planned maintenance (primarily external decorations) to be undertaken urgently on

PAPER A

HRA properties, an additional budget requirement has been determined to ensure appropriate works can be funded to protect these assets during 2024/25.

- 8.18 **Subscriptions:** The majority of this relates to the mandatory charge from the Regulator of Social Housing, which is proposing a £7 charge per property across our housing stock of nearly 10,000 homes. In addition, there is a £20k increase in charges from the Housing Ombudsman which we are obliged to pay, as well as a new subscription for Housing SouthWest.
- 8.19 **Training:** The Government has introduced a new requirement in the Social Housing Regulation Act that requires housing staff and managers to have appropriate qualifications and reflect a high standard of professionalism. The Council will be inspected against these regulations and expected to comply, meaning many existing officers will have to go on professional training courses for qualifications. This requirement is being phased in, but the service will be required to evidence progression towards this professionalisation which will carry a significant training cost across the service's staff.
- 8.20 **Voids - Utilities and Rates:** This is a combination of inflationary growth for gas, electric and water costs where the Council is liable on void properties, but also an increase in budget provision for Council Tax on void properties as the discount for empty properties was removed from 1 April 2023 (after the 2023/24 budget was proposed).
- 8.21 **Bad Debt Provision:** A bad debt provision is budgeted to reduce the expected income to be received from dwelling rents and service charges for write offs. This has been increased proportionately based on gross dwelling rents and service charges.
- 8.22 **Other Pressures:** These are growth items that are less than £50k individually and include budget for the Tunstall annual contract payment, pension deficit increases, a new tenant portal system, provision for price increases for software contract renewals, provision for a grounds maintenance SLA with the GF for septic tank sites, a reduction in meeting hall rental income, a "hard to access" budget, budgetary provision for tenant strategic group elections and consultancy support for service charge project to maximising full cost recovery.
- 8.23 The main changes over £50k resulting in savings / increase in income include:
- 8.24 **Dwelling Rent Income:** As per section 10 below, we are proposing to increase rents by

PAPER A

7.7% - generating approximately £3.5m extra in rental income. The target void rate for 2024/25 has been reviewed and on average this is reducing – generating approximately £634k extra income. Table 3 below shows the 2023/24 and 2024/25 budgeted void rate target. The aim is to reduce this void rate further to achieve an average of 1.5% across the entire HRA stock (for general needs, sheltered and extra care).

Table 3: Proposed budgeted void rates for 2024/25

	In-House Void Rate				
	2023/24 Budgeted Void Rate	2024/25 Budgeted Void Rate	Change	2024/25 Estimate Stock Numbers	2024/25 Estimated Void Numbers
GN	1.82%	1.08%	-0.73%	4662	85
SH	1.34%	1.12%	-0.22%	892	12
EX	11.36%	11.63%	0.26%	86	10
Average / Total		1.89%		5640	106
	HiS Void Rate				
	2023/24 Budgeted Void Rate	2024/25 Budgeted Void Rate	Change	2024/25 Estimate Stock Numbers	2024/25 Estimated Void Numbers
GN	1.02%	1.00%	-0.02%	3140	32
SH	2.50%	2.00%	-0.50%	825	21
EX	2.50%	2.50%	0.00%	96	2
Average / Total		1.35%		4061	55
HRA Average Void Rate		1.66%		9701	161

8.25 During a typical financial year, the HRA collects rents and service charges from tenants over 52 weeks per year – this is based on the number of Monday’s that fall within the year. However, on average every 5 or 6 years there will 53 Monday’s falling within a year. The financial year 2024/25 will be a 53-week year and as such the Council will receive 53 weeks of rental income due to this and the accruals concept of accounting, this will generate approximately an extra £934k during the financial year. To note that

PAPER A

whilst the in-house service tenants will be invoiced equally across 53-weeks the Homes In Sedgemoor tenants will be invoiced equally over 51 weeks (with 2-weeks rent break at Christmas). When setting the budget an estimate for stock changes during 2023/24 and 2024/25 is made, for RTB Sales and as per the development programme, and this assumes approximately £570k of income – £287k of this relates to growth in new affordable homes.

- 8.26 **Fleet Contract and IFRS 16:** The 2023/24 revenue budget assumed that the lease element of the fleet would be funded by revenue due to the delayed adoption of IFRS 16 until 2024/25. These lease costs can now be capitalised, and the revenue and capital budgets reflect this change.
- 8.27 **Service Charges Income:** As per section 11 below, we are proposing to increase service charges and also incur 53 weeks during 2024/25.
- 8.28 **One-Off Funding to General Reserves:** The net budget gap after pressures and savings is £1.279m, with c£1m relating to the 53-weeks occurrence and is one-off for 2024/25. The proposal is to transfer the net budget gap to general reserves.

9 Medium Term Financial Plan

- 9.1 The draft Medium Term Financial Plan (MTFP) has been based on the continued operation of the HRA within Somerset Council and is included in **Appendix A**.
- 9.2 Members are asked to note the reviewed and updated assumptions in the 2024/25 5-Year Medium Term Financial Plan (MTFP).
- 9.3 Members are asked to approve the transfer of four dwellings from the General Fund to the Housing Revenue Account and delegate authority to the Lead Member for Communities, Housing and Culture and the Section 151 Officer to approve the final land transfer value.
- 9.4 The current projections show that the HRA is able to set a balanced budget based on the current assumptions and the following strategies being delivered over the next 5 years.

9.5 Service Charges – Full Cost Recovery

9.6 Work with external service charge consultants has identified that we are under-recovering service charges against what is eligible expenditure to charge. The business plan allows for the improved recovery of service costs from households to reflect this, by increasing the service charges estimated income by £50k per year for five years starting from 2025/26 to a total of £250k per year.

Allocation of Corporate Costs

9.7 The HRA is a ring-fenced account held within the General Fund. There are specific regulations which govern eligible income and expenditure to prevent cross subsidy with the General Fund. There will be legitimate charges between the GF and the HRA.

9.8 In response to the creation of the new unitary council, ongoing local government reorganisation and the GF financial crisis, a review of all Service Level Agreements (SLAs) is being undertaken to ensure a fair and transparent apportionment of corporate costs between the HRA and GF. The business plan incorporates a guesstimated saving of £700k in 2025/26.

Efficiency Savings

9.9 The MTFP proposes the delivery of 2% efficiency targets per year on housing management and repairs & maintenance expenditure for 5 years from 2025.26 delivering savings of £508k in 2025/26 and achieving £2.539m by 2029/30.

9.10 The delivery of these savings is essential to help build financial capacity within the Business Plan to finance the interest payable on the debt required to deliver the capital programme and / or refinance existing debt.

Void Loss

9.11 When a property is vacant there is a loss of income received from rent and service charges and an increase in costs incurred for gas, electric, water and council tax charges.

9.12 The current business plan assumes voids at 2% of gross rental income which is achievable based on current performance. In order to further reduce the income lost on void properties the management team are aiming to reduce the void loss further to an average of 1.5% across the entire HRA stock (for general needs, sheltered and extra care). This will be achieved through shorter void turnaround times and reducing the

number of long-term vacant dwellings.

Capital Receipts - Active Asset Management

- 9.13 The HRA has a strategic approach to improve or replace properties that have a poor social, economic or environmental performance, because of low demand or high costs, and either improving them or replacing them with properties which are fit for purpose. This approach is standard practice within the sector to replace poorly performing stock with new stock that makes a positive contribution to the business plan. A new HRA Asset Management Strategy is being developed which incorporates all 10,000 homes plus other HRA assets.
- 9.14 This strategic approach assumes the HRA will dispose of poorly performing properties to gain a capital receipt but also reduce excessive costs to bring the property up to decent homes and energy efficiency standards on relet. This approach will result in the disposal of a small number of dwellings, but the HRA also have other land and assets that may be suitable for disposal to generate receipts such as vacant land that could create a single building plot on the market.
- 9.15 The current MTFP incorporates a 5-Year Asset Strategy (agreed by SWT Full Council 8 Feb 2022 as part of the Budget Setting report) where the HRA would actively obtain new capital receipts of £350k per year for five years from 2023/24. For example, this was approximately 2 units at an average capital receipt of £175k per property. This would enable £350k to be released from the revenue voluntary repayment of provision (debt) (paid by the in-house service) to provide further revenue capacity for on-going in-year operational costs. This was in conjunction with £1.471m to be funded using Right to Buy (RTB) 'unadjusted allowable debt' capital receipts, again, to provide further revenue capacity for on-going in-year operational costs. Thus a total contribution of £1.821m towards a Voluntary Revenue Provision (VRP). The legacy Sedgemoor District Council HRA MTFP did not have a VRP.
- 9.16 The updated MTFP proposes to increase the predicted capital receipt per year to £1.225m which is approximately seven units at an average capital receipt of £175k per property for the lifetime of the Business Plan. These capital receipts will be used to replace the funding for the VRP from the Right to Buy (RTB) 'unadjusted allowable debt' capital receipts and ensures the continued contribution by the HRA to make a voluntary repayment of debt whilst releasing funds to meet revenue pressures.

9.17 The generation of capital receipts is to both reduce investment where the properties are unable to achieve the standard of accommodation required by the Council and regulation in a cost-effective way. The Council has a requirement to achieve Net Zero Carbon by 2050 but also milestones such as Energy Performance Certificate rating of C by 2025 and there are minimal SAP requirements under decent homes regulations. Unfortunately, due to the age and construction of the Council's stock some dwellings will not achieve high thermal efficiency without excessive cost. In addition, the Council seeks to achieve affordable warmth as well as Net Zero Carbon. Although the Council has been successful at attracting grant some homes will remain uneconomic. The Council is also aware that some of its homes will exceed their life expectancy or, in the case of specialist provision, no longer fit their original purpose due to enhanced regulation or customer expectations. The Business Plan has an opportunity through the sale of a small number of uneconomic dwellings to reduce its expenditure and reinvest the income into improving its existing dwellings or building better.

Housing Stock Growth

- 9.18 The MTFP and Business Plan projections show that the Council is able to meet its RTB 1-4-1 spend target for the next 6 years as long as the proposed capital social housing development programme (as shown in **Appendix D**) is delivered successfully.
- 9.19 The Council will need to build new schemes into the business plan on an annual basis to ensure that RTB 1-4-1 spend targets can be met for the following 6 years with each iteration. At present the business plan model assumes that receipts falling due are gifted to a Registered Housing Provider as opposed to being repaid to the Treasury with interest.
- 9.20 It is evident that regulatory, legislative and economic pressures faced by the HRA are placing a significant risk on the sustainability of the business plan to be able to increase the housing stock using RTB receipts (meeting 1-4-1 requirements) after year 6.
- 9.21 The Council will need to build further capacity into the business plan to make this affordable (e.g. embedding further efficiency savings, reducing or extending the delivery timeframe of the decarbonisation capital programme, etc), otherwise the Council will need to consider gifting the receipts to a Registered Housing Provider or repaying capital receipts upon sale to the Treasury to avoid interest payments of 4% above base rate.

Asset Transfer

- 9.22 The legacy South Somerset District Council (SSDC) sold their housing stock to a registered provider many years prior to the formation of Somerset Council. Upon the creation of Somerset Council, SSDC held four dwellings within their General Fund.
- 9.23 The Council is proposing to transfer these four dwellings from the General Fund to the Housing Revenue Account. The appropriation of these four dwellings will be undertaken in line with the latest technical guidance. These four dwellings were independently valued for the 2023/24 accounts at £620k. The proposal is to delegate authority to the Lead Member for Communities, Housing and Culture and the Section 151 Officer to approve the final land transfer value.

10 Rent Setting for 2024/25

- 10.1 The recommendation for rent setting for 2024/25 are as follows:
- An increase of 7.7% to Dwelling Rents in line with the Government's 2019 (and updated 2023) Rent Standard.
 - An increase of 7.7% for Sheltered and Extra Care housing rents in line with the dwelling rents increase.
 - An increase of 7.7% for Shared Ownership properties.
 - An increase of 7.7% on affordable rental tenures, with the rent being reviewed at relet based on 80% of open market rent capped at the LHA rate.
 - The continuation of rent flex at relet for new tenants' within the West of the Council for tenants part of the in-house service (dwelling stock inherited from the legacy Somerset West and Taunton Council) as included in the Rent Charging Policy. This will be levied at basic rent plus 5% for general needs tenants and 10% for sheltered and extra care tenants.
 - The introduction of rent flex at relet for new tenants' within the North of the Council for tenants part of Homes In Sedgemoor (dwelling stock inherited from the legacy Sedgemoor District Council) as included in the Rent Charging Policy. This will be levied at basic rent plus 5% for general needs tenants and 10% for sheltered and extra care tenants.

PAPER A

- 10.2 The HRA's main sources of income are from dwelling rents and accounts for approx. 90% of its income. Other sources of income include service charges, rents from garages, shops, land access and meeting halls. Since the HRA is a statutory ring-fenced account, separate from the General Fund, the income must be used to fund expenditure incurred on operating the landlord function for the primary benefit of the Council's own tenants.
- 10.3 When setting rents the Council must comply with the Government's updated Rent Standard.
- 10.4 The Government introduced the Welfare Reform and Work Act 2016 Social Rent Reduction, which required all social housing landlords to reduce the rent payable by tenants by 1% each year for 4 years between April 2016 and March 2020 (excluding shared ownership homes and temporary accommodation). This superseded the Government's previous 10 year rent increase policy implemented in April 2015.
- 10.5 On 25 February 2019 the Government confirmed that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020/21 to 2024/25, as per the 2019 Rent Standard. On the 12 December 2022 the Government issued an updated 2023 Rent Standard to cap rents at 7% for existing tenants (relets at 11.1%) for 2023/24, to operate alongside the 2019 Rent Standard. This means for any relet property after 31 March 2023 the rent would be based on the Government's formula rent which would be an increase of 11.1% for 2023/24. Usually both the 'actual rents' and 'formula rents' increase by the same amount.
- 10.6 The application of 'formula rents' at relet is detailed in the Regulator's Rent Standard which is grounded in the government's Policy Statement on Rents. This allows 'actual rents' to converge with 'formula rents' for social rent properties. This is because of the long-standing rent convergence process which started back in 2002/03, with subsequent legislative changes meaning that rent levels can now only converge to the prescribed formula rent upon the relet of the property. It is important that rents move towards formula rent in line with both Government and local policy as rental income is the main source of funding.
- 10.7 The Rent Standard allows the Council to increase rents in 2024/25 to a maximum of the CPI in September 2023 plus 1%. The September 2023 CPI figure is 6.7% as published by the Office for National Statistics on the 18 October 2023.
- 10.8 Therefore, in accordance with the Regulator of Social Housing's 2019 and updated

2023 Rent Standard and our own adopted Rent Policy, it is proposed that all Dwelling Rents for 2024/25 will increase by 7.7%.

- 10.9 Within the Government's Rent Standard there are a number of items that are optional for a Council to adopt. As such the Council has their own separate Somerset Council Rent Charging Policy², covering the content and those elements proposed to be adopted from the Government Rent Standard, which was approved by the Executive on the 14 December 2022.
- 10.10 **Appendix F** presents an Equalities Impact Assessment of the financial impact that the slightly above inflation increase in rents (and service charges) will have on our tenants. Of our tenants approximately 50% are eligible for benefits meaning that this increase will be partially or wholly covered for those tenants. For the other 50% "self-funders" we have continued support available to our tenants from our in-house debt and benefit advisors, there are external support services available which the HRA make a contribution towards such as MIND and Citizens Advice, and the HRA also has a Hardship Fund available.

Affordable Rented Properties and Shared Ownership

- 10.11 For affordable rented properties the rent is initially set at 80% of the open market rental value inclusive of service charges, capped at LHA Rate, and thereafter the rent increases according to the Government's Rent Standard. For shared ownership properties the rents are set according to individual lease agreements.

Rent Flex Policy

- 10.12 Within the 2019 Rent Standard the Government provides the opportunity for Councils to apply "rent flex" which gives the flexibility to set rents at up to 5% above social formula rate on general needs housing and up to 10% for sheltered and extra care housing. This is in recognition of higher costs that the Housing Provider might have, for example through providing enhanced support services, or due to deprivation and higher demand. In applying the flexibility, a housing provider should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability.
- 10.13 Rent flex was introduced by the in-house service from April 2020 as approved by SWT

² Housing Revenue Account Draft 30 Year Business Plan and Rent Charging Policy (Item 9 and Appendix C) [SCC Executive 14.12.2022](#)

PAPER A

Full Council on the 19 February 2020³. The recommendation is that rent flex is continued to be applied at relet for properties in the West of the Council.

- 10.14 The proposal is to introduce 'rent flex' at relet for properties in the North of the Council managed by Homes in Sedgemoor (inherited from Sedgemoor District Council). In accordance with the Housing Act 1985 s105 3b the Council would need to consult with tenants on this policy before implementing. The intention is to consult with tenants with a view to implementing this policy for new tenants from 1 April 2024.
- 10.15 Homes in Sedgemoor are introducing rent flex to bring consistency to rent setting across Somerset Council owned stock and to recognise additional cost burdens in Housing (many of which have been outlined separately in this report such as additional compliance requirements, Net Zero Carbon requirements, etc). This will improve revenue streams to help deliver the strategic priorities of the HRA Business Plan.

Void Loss

- 10.16 This accounts for the rental income lost through periods when the property is empty (aka void). These continue to be lower than the Business Plan adopted in February 2023 and as such it has been deemed appropriate to reduce the expected void rate. See section 8 paragraph X above. The aim is to reduce this void rate further to achieve an average of 1.5% across the entire HRA stock (for general needs, sheltered and extra care) in order to maximise income and utilise our stock for the benefit of our tenants needs.

11 Fees and Charges - Non-Dwelling Rental Income and Service Charges Income

- 11.1 This incorporates income from non-dwelling rents (mainly garages but also shops, land access and meeting halls), charges for services and facilities, and contributions to HRA costs from leaseholders and Council tenants.
- 11.2 The recommendations for fees and charges are as follows:
- An increase in Service Charges for tenants in the North, managed by Homes In Sedgemoor, based on predicted costs in line with the service charging policy. The introduction of a transparent 10% service charge management fee. The service

³ Housing Revenue Account (HRA) Budget Estimates 2020/21 (Including Rent Setting and Fees and Charges) – [SWT Full Council 19 February 2020](#)

charges are contained in **Appendix B**.

- An increase in Service Charges for tenants in the West, managed by the In-House Service, of (a) 7.7% for Grounds Maintenance and the Support / Sheltered Housing and Extra Care accommodation services, (b) 6.8% for the Piper Lifeline service, (c) other charges based on actual costs incurred for laundry, heating, communal areas, communal door entry systems, (d) no change to the communal utilities charge, (e) a new charge for exceptional street cleaning, (f) sewerage will increase in line with the Wessex Water increases for 2024/25 once known. The service charges are contained in **Appendix C**.
- An increase of 7.7% for garage rents.
- An increase of 6.7% on temporary accommodation daily rates.
- An increase of 6.7% for Meeting Hall hourly rental rates.
- An increase of 6.7% for Guest Room charges.

Service Charges

- 11.3 In addition to rent, tenants may also pay service charges. Rents are generally taken to include all charges associated with the occupation of a property, such as maintenance and general housing management services. Service charges usually reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than being particular to the occupation of a dwelling. Service charges are subject to separate legal requirements and are limited to covering the cost of providing the services.
- 11.4 Service charges are not governed by the same factors as rent. However, the government policy statement on rents for social housing⁴, advises that increases for service charges should remain within the limit on rent changes, of CPI+1%, to help keep charges affordable.
- 11.5 Somerset Council will be doing more work in 2024/25 to review its service charges and ensure it applies charges consistently and transparently. We will be looking to align our approach more closely between HiS and SC directly managed stock.

⁴ [Policy statement on rents for social housing - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policy-statements/policy-statement-on-rents-for-social-housing) – paragraph 2.35

- 11.6 **For HiS Tenants in the North:** The proposal is to continue charging tenants in line with the service charging policy. There will be an increase or decrease on individual charges depending on the predicted expenditure incurred during 2023/24 to then be charged in 2024/25. Homes In Sedgemoor will show the management fee of 10% separately during 2024/25, whereas in previous years it has been included within each applicable service charge. This mirrors the inhouse service approach.
- 11.7 **Appendix B** shows the service charges for 2023/24 which have been inflated by 7.7% to give an indication of the likely service charges to be levied during 2024/25. Tenants will be charged for their proportion of the actual costs incurred and not an inflationary amount.
- 11.8 Tenants are expected to see a significant increase in energy charges over and above inflation of 7.7%. This is due to the national increase in the energy prices. This will be the first time the energy price increase will impact tenants service charges.
- 11.9 **For In-House Tenants in the West:** The proposal is to increase service charges by CPI+1% for Grounds Maintenance and the Support / Sheltered Housing and Extra Care accommodation services.
- 11.10 The Piper Lifeline service is proposing to increase their charges by 6.8% in line with the General Fund corporate proposal contained within a separate fees and charges report.
- 11.11 Other charges have been proposed for 2024/25 based on actual costs incurred during 2023/24 such as laundry, heating, communal areas, communal door entry systems; and the charge has increased or decreased based on this. The communal utilities charge has been frozen, a new charge for exceptional street cleaning being introduced and sewerage will increase in line with the Wessex Water increases for 2024/25 once known.
- 11.12 A 10% management fee will continue to be applied to service charges that are eligible for Housing Benefit (e.g. Grounds Maintenance, Exceptional Street Cleaning, Communal Areas, Laundry, Door Entry and Sewerage) to help ensure that these remain affordable for tenants.
- 11.13 For further information and analysis on fees and charges, for example how these compare to the average cost of renting properties in the private rented sector and other Housing Providers please see **Appendix C**.

Garages

- 11.14 The Council owns a number of block garages which are rented out to both HRA housing tenants and private people/organisations.
- 11.15 In the North, there are around 1,200 garages over 95 sites. In 2017/18 a programme of works commenced to refurbish several of the garages. HiS made an upfront investment of £1m of their own reserves to fund the refurbishment of garages. Any income above the pre-agreed base line budget of £307,300 is paid back to HiS to cover the £1m investment. Until the investment is repaid in full the Council does not receive a financial gain. This investment has not only improved the neighbourhood look and feel but has also had a positive impact on the street scene with ASB in these areas seeing a large reduction.
- 11.16 The initial review of the condition of the garages also identified a number of units that were suitable for demolition and redevelopment, and some of the sites have been brought forward as part of the housing development plans For example houses have now replaced garages o the former Sydenham site.
- 11.17 Due to the refurbishment programme, there are two levels of charges being non-refurbished and newly refurbished. The Council is proposing to increase garage rents by 7.7% which is CPI+1% in September 2023. The levels of voids are c490 units. Table 4 below shows the current charges for 2023/24 and the proposed charges for 2024/25.

Table 4: Garage Weekly Rental Charge for HiS Tenants (based on 51-week rent year)

		Weekly Rent 2023/24 (£)	Weekly Rent 2024/25 (£)	Increase (£)
Council tenants (VAT not applicable)	Refurbished Garage	11.98	12.90	0.92
Council tenants (VAT not applicable)	Non-Refurbished Garage	9.96	10.73	0.77
Private tenants and Owner Occupiers (exc. VAT)	Refurbished Garage	11.98	12.90	0.92
Private tenants and Owner Occupiers (exc. VAT)	Non-Refurbished Garage	9.96	10.73	0.77

PAPER A

Private tenants and Owner Occupiers (inc. VAT)	Refurbished Garage	14.38	15.48	1.11
Private tenants and Owner Occupiers (inc. VAT)	Non-Refurbished Garage	11.95	12.87	0.92

11.18 In the West, there are around 1400 garages. There are some sites earmarked for possible future demolition and redevelopment, however the social development capital programme is at full capacity for the next few years. In terms of asset maintenance there is currently a £20k capital budget for 2023/24 and a £20k revenue budget for repairs and maintenance, increasing respectively to £200k and £23k in 2024/25. The Council is proposing to increase garage rents by 7.7% which is CPI+1% in September 2023. The levels of voids are c490 units. Table 5 below shows the current charges for 2023/24 and the proposed charges for 2024/25.

Table 5: Garage Weekly Rental Charge for In-House Service Tenants (based on 53-week rent year)

	Weekly Rent 2023/24	Weekly Rent 2024/25	Increase
Council Tenants (VAT not applicable)	7.39	7.96	0.57
Private Tenants and Owner Occupiers (excluding VAT)	11.64	12.54	0.90
Private Tenants and Owner Occupiers (including VAT)	13.97	15.04	1.08

Temporary Accommodation

11.19 The General Fund (GF) Homeless Service has a statutory duty to provide interim accommodation for unintentionally homeless individuals. The GF Homeless Service use of the HRA stock, designated as temporary accommodation, is preferable to commercial Bed and Breakfast which does not have cooking facilities and is more expensive.

11.20 In 2022/23 a new daily charge was introduced to reflect the increased demand for Temporary Accommodation and the costs of regular turnover of occupants reflected

PAPER A

the need for a higher daily rate to cover these related costs. The demand for Temporary Accommodation remains extremely high. To note that only the in-house service has properties designated as temporary accommodation.

- 11.21 It is proposed to increase the daily charge for properties assigned to temporary accommodation by the September CPI at 6.7%. Temporary Accommodation is exempt from the Government's Rent Standard. Table 6 below shows the daily rates that will be applied for 2024/25.

Table 6: Daily Rates for Temporary Accommodation

No. of Bedrooms	Daily Rate 2023/24	Daily Rate 2024/25	Increase
Studio	£18.20	£19.42	£1.22
1-bed	£18.20	£19.42	£1.22
2-bed	£22.92	£24.46	£1.54
3-bed	£26.83	£28.63	£1.80
4-bed	£32.85	£35.05	£2.20

Meeting Halls

- 11.22 For Homes In Sedgemoor, the fees levied for 2024/25 for meeting room hire will be increased by CPI at 6.7% as shown in table 7 below. There is no charge where a tenant makes a booking for a tenants' only event.

Table 7: North Somerset Area Meeting Hall Charges for Non-Residents in 2024/25

	Per Hour Actual Charge 2023/24	Per Hour Proposed Charge 2024/25	Increase
Regular bookings (VAT exempt) (regular booking - a minimum of 1 booking per quarter over 12 months or weekly/fortnightly over 3-12 months)	£9.40	£10.03	£0.63
All other bookings (VAT exempt)	£11.20	£11.95	£0.75

PAPER A

11.23 For the In-house Service, the fees levied for 2024/25 for meeting room hire will be increased by CPI and then rounded up to the nearest 10p as requested by tenants during feedback provided in 2017/18. Table 8 below shows the rates that will be applied for 2024/25. There is no charge where a tenant makes a booking for a tenants' only event.

Table 8: West Somerset Area Meeting Hall Charges for Non-Residents in 2024/25

	Actual Charge 2023/24	Proposed Charge 2024/25	Increase
First hour	£13.00	£13.90	£0.90
Each half hour thereafter	£6.60	£7.10	£0.50
6 hours plus	£77.10	£82.30	£5.20
Total charge for residents in a scheme and community organisations	£17.80	£19.00	£1.20

Guest Rooms

11.24 The fees levied for 2024/25 for guest room hire will be increased by CPI and then rounded up to the nearest 50p as requested by tenants during feedback provided in 2017/18. Guest Rooms are currently not available due to works required to bring to rentable standard. Table 9 below shows the rates that will be applied for 2024/25.

Table 9: Guest Room Charges for 2024/25

Located at Taunfield, Middleway, Hope Corner Lane, Kilkenny and Lodge	Actual 2023/24	Proposed 2024/25	Increase
No. of nights per person -1st night per person per night	£27.00	£29.00	£2.00
No. of nights per person -2	£38.50	£41.50	£3.00
No. of nights per person -3	£52.50	£56.50	£4.00
No. of nights per person -4	£65.00	£69.50	£4.50
No. of nights per person -5	£77.00	£82.50	£5.50
No. of nights per person -6	£91.50	£98.00	£6.50
No. of nights per person -7	£103.50	£110.50	£7.00

Other Income

- 11.25 The HRA does have a number of shops/other rental properties and the income from these are laid out in specific rent/lease agreements and income from these will be charged and collected as stipulated.
- 11.26 Charges to leaseholders will continue to be based on actual costs incurred.

12 Capital Programme

- 12.1 The recommendations are as follows:
- 12.2 The HRA Major Works and Improvement Capital Programme for 2024/25 of £8,834,500 for HiS and £19,189,200 for the In-House Service.
- 12.3 To approve a **capital budget of £940,000** for the delivery of the **Bespoke Homes Phase 2** scheme (North of Somerset). This scheme will deliver 2 large and fully adapted new homes that will be built to low carbon standards in excess of building regulations and extend two existing council dwellings to create larger adapted homes. The proposal is to finance this using an appropriate combination of up to 29.78% subsidy from Homes England and the remainder funded by borrowing.
- 12.4 To approve a **capital budget of £968,000** for the delivery of the **Rochester Road Step Down / Move on Accommodation** (West of Somerset). This scheme will deliver 8 new homes and let to vulnerable adults or children such as low complex homeless or children leaving care. The homes will use Modern Methods of construction and be of built to low carbon standards in excess of building regulations. The proposal is to finance this scheme using a combination of Better Care Funding and the remainder funded by borrowing. These new homes will be let at affordable rents and discounted if appropriate.
- 12.5 To approve a **capital budget of £2,000,000** for the delivery of the **Step Down / Move On Accommodation** scheme (West of Somerset). This scheme will deliver 16 new homes for vulnerable adults or children such as low complex homeless or children leaving care. The homes will be built to low carbon standards in excess of building regulations and use Modern Methods of construction. The proposal is to finance this scheme using a combination of Better Care Capital Funding and the remainder funded by borrowing. These new homes will be let at affordable rents and discounted if

appropriate.

- 12.6 To approve a **capital budget of £2,615,430** for the delivery of the **Taunton Road** scheme (North of Somerset). This scheme will deliver 11 new homes that will be built to low carbon standards in excess of building regulations. The proposal is to finance this using an appropriate combination of up to 40% subsidy from RTB receipts and the remainder funded by borrowing. These new homes will be let at affordable rents.
- 12.7 To approve a **supplementary budget of £656,760** for the current **Cricketers** scheme (North of Somerset) to fund the projected overspend to complete the scheme. This scheme is delivering 16 new homes and will be built to low carbon standards in excess of building regulations. The proposal is to finance this using Homes England capital grant, Hinkley Point C funding and the remainder funded by borrowing. These new homes will be let at affordable rents
- 12.8 To approve a **supplementary budget of £375,000** for the current **Oxford Inn** scheme (West of Somerset) to fund the projected overspend to complete the scheme. This scheme is delivering 8 new homes will be built to low carbon standards in excess of building regulations. The proposal is to finance this using an appropriate combination of up to 40% subsidy from RTB receipts and the remainder funded by borrowing. These new homes will be let at affordable rents.
- 12.9 To approve a **budget return of £20,274,207** for the **North Taunton Woolaway Project Phase D** (West of Somerset).
- 12.10 To approve a **budget return of £10,499,189** for the **Zero Carbon Affordable Homes** scheme (West of Somerset).
- 12.11 To approve a **budget return of £950,000** for the **Tuckerton Lane** scheme (North of Somerset).
- 12.12 To approve a **budget return of £500,000** for the **Purchase of Properties for RTB** scheme (North of Somerset).
- 12.13 The HRA Major Works and Improvement Capital Programme for 2024/25 of £8,834,500 for HiS and £19,189,200 for the In-House The HRA Capital Programme consists of two main elements: (1) the Major Works and Improvements programme which mainly ensures that a decent homes standard is maintained and that the housing stocks major components are replaced periodically, and (2) Social Housing

PAPER A

Development and Regeneration which is mainly focused on building new homes.

- 12.14 The HRA 2024 Business Plan proposes and presents some material changes to the capital programme. The strategic operational and financial focus is on achieving EPC C by 2030, Net Zero Carbon by 2050 and meeting our RTB 1-4-1 spend requirements within the next six years.
- 12.15 The draft 10-Year HRA Capital Programme from 2024/25 to 2033/34, that will deliver the capital investment proposed within the Business Plan, is shown in **Appendix D**.
- 12.16 The 2024/25 proposed capital budget returns, supplements and new bids, along with the proposed financing per scheme, are shown in **Appendix E**.
- 12.17 The proposed HRA Capital Programme for 2024/25, that will deliver the capital investment proposed within the Business Plan, is shown in table 10 below. To note that this only includes Major Works and Improvement Schemes and does not include social housing development schemes that have previously been approved or where approval is being sought for new schemes.

Table 10: HRA Capital Programme for 2024/25

Capital Investment	HiS £000	In-House £000	Total £000
Major Works	8,335	14,511	22,846
Fire Safety	263	2,323	2,586
Related Assets	-	400	400
Exceptional & Extensive	237	1,305	1,542
Vehicles	-	280	280
ICT & Transformation	-	-	-
Aids & Adaptations & DFGs	-	370	370
Total Majors & Improvements	8,835	19,189	28,024

- 12.18 The Council plans to finance this investment through an appropriate combination of Major Repairs Reserve (from depreciation), Capital Receipts, Capital Grants, Revenue Funding and Borrowing, as shown in table 11 below.

Table 11: HRA Finding of Capital Programme 2024/25

Capital Investment	£000
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PAPER A

Major Repairs Reserve	17,983
Capital Receipts	0
Capital Grants	4,057
Revenue Funding	0
Borrowing	5,984
Total Funding	28,024

12.19 The estimated capital investment per scheme and the scheme itself is explained in more detail below. Whilst Officers have estimated the planned spend based on information currently available to them, these estimates are subject to change depending on contract negotiations, contractor availability, demand on the business, the condition of voids returned to the council and changing business priorities.

Major Works and Improvement

12.20 The aim of the Major Works and Improvement programme is to ensure homes do not deteriorate and through investment maintain their integrity and achieve the decent homes standard and regulatory standards for healthy and safe homes. The Programme also invests a small amount of its funding into estate and environmental works. Both operating vehicles have the same responsibilities in terms of decency and regulation. The new housing structure will increase the ability for the Council to invest to ensure consistent standards.

12.21 These schemes will be focusing on ensuring that a decent homes standard is maintained and that the housing stock major components are replaced periodically as per our capital works programme for 2024/25. This includes schemes such as kitchens, bathrooms, heating improvements, insulation and ventilation, door entry systems, external doors, rainwater water goods, fasciae and soffits, roofing and windows. This will also include unplanned major works on voids where the property is returned in a poor condition and requires a full re-work ahead of the capital works programme.

12.22 The two operating models both aim to maintain the decent homes standard whilst enhancing the thermal comfort of tenants by moving towards EPC C by 2030 and Net Zero Carbon by 2050. The business plan presented to Members in February 2023 did include a moderate amount of investment to achieve the 2030 EPC C target, but it did not include the costs of meeting the 2050 zero carbon target – these are now included at an estimate cost of £24k per unit delivered from 2024 to 2050. Note that whilst new build properties built to low carbon standards can be let at affordable rents with

PAPER A

argument that running costs will be lower, once the existing stock is retrofitted to low carbon standards these units will still be let at social rents.

- 12.23 The two operating models have previously placed slightly different emphasis on different aspects of major works however under one Housing Revenue Account decent homes, low carbon living, stock sustainability and block investment can be approached more consistently. Both organisations have been successful at being awarded grant for low carbon works and combined bids and programmes will be encouraged.
- 12.24 The Council has been successful in its bid for capital grant funding from Social Housing Decarbonisation Funds Wave 1&2 and the inhouse service has access to £20m of energy company obligation (ECO4) which will be extended to the HiS managed stock.
- 12.25 The Council sometimes experience stock which is no longer economic. Individual properties may be disposed whilst others progress as regeneration schemes providing and for future developments. Two properties at Oake are examples of potential small scale disposals and Wordsworth Drive and Coleridge Crescent Flats is an example of a larger unsustainable scheme which is being demolished and its land available for future development. There are some projects such as those as 10 homes at Oake and 28 properties at North Taunton Phase E which due to new grant funding have moved to the major works programme for retention and investment. These schemes do not currently contain development proposals.
- 12.26 In these programmes, decanting sometimes needs to take place and the additional costs associated with moving tenants are significant and are considered in the process of considering the most appropriate.

Social Housing Development and Regeneration

- 12.27 The HRA is bringing together a more strategic approach in relation to the development and acquisitions of new homes. The HRA has a greater number of development schemes and a number of opportunities to support the ambitions and cost saving requirements of the general fund.
- 12.28 As the HRA Business Plan is one plan for the whole local authority area the unitary nature of the authority enables the council to look more strategically at its HRA investment. This year's HRA Business Plan review took the opportunity to remove unnecessary pressure from the business plan by removing schemes which were stalled

PAPER A

from the plan and placing them in the pipeline of opportunities. Annually the housing service will consider the strongest pipeline schemes and comfort in the business plan and recommend strong and deliverable schemes to Members. A number of schemes have been removed from the business plan and placed in the pipeline of schemes for reappraisal.

- 12.29 The HRA and the General Fund is benefitting from acquiring and hosting c35 homes to support customers which the General Fund has a duty towards such as rough sleepers or displaced persons at risk of homelessness. In addition, the business plan in partnership with Adults Services is aligning a small proportion of the Better Care capital fund to build 24 homes for single vulnerable adults and children leaving care who require move on or step down accommodation. In addition, the HRA is continuing its support for the Bespoke Homes approach which builds and converts a small number of homes for larger families with complex health needs. These schemes will benefit the Councils homeless, adult social care and children's services potentially reducing their revenue expenditure. The outcomes will also include positive health benefits.
- 12.30 The HRA mainly develops on existing HRA residential land or underused HRA land. It will support the General Fund developing schemes where they are mutually beneficial, and this may include the use of General Fund land. However, the HRAs ability to service borrowing is based on its revenue income mainly from rents and therefore the HRA has a finite capacity to develop new homes.
- 12.31 The HRA can develop anywhere in the local authority area and over the coming years will aims to acquired homes in Martock, Yeovil and Langport. However, the reach of the Council's management and maintenance service become more expensive as they progress beyond the West and the North. Additional consideration needs to be made on how properties will be managed and maintained when they fall in locations where stock was historically transferred to existing or newly created registered providers.
- 12.32 The HRA strategy is aimed at maximising grant income by prioritising RTB receipts in the first instance unless improved grant rates can be achieved through other sources such as Homes England and Better Care Fund. The service currently has additional complementary subsidy through the Brownfield development fund and Hinkley Point C.
- 12.33 All new build homes will be built to low carbon standards either net zero or net zero ready. Net zero ready allows the property to be net zero without the need for extra investment as the national grid decarbonises. The development programme has introduced construction materials such as porotherm blocks, underfloor ultra insulated slabs/tiles, mechanical ventilation and heat recovery, solar Photovoltaic tiles and air source heat pumps. The specifications allow tenants to benefit from affordable warmth.

PAPER A

In order to manage the additional cost of achieving net zero or net zero ready the rents are set at affordable rent levels as opposed to social rent levels.

- 12.34 The Council's development programme will be approved in February within the HRA rent and budget setting paper. The exception will be any unexpected acquisition programmes which appear in year such as happened with the Local Authority Housing Fund.
- 12.35 The Council has a strong pipeline of potential developments to bring forward over coming years. Pipeline schemes will be proposed to Members after their affordability has been agreed through the viability and business planning process and other challenges such as phosphates/Nitrate neutrality have been resolved.
- 12.36 The HRA, like all developers, has to manage nitrate neutrality, the planning process, highway regulation, environmental and ecological considerations in the same way as private developers. The HRA has a number of phosphate credits from its demolition programmes but is also working on creating additional credits through its upgrade of Private Water Sewage Treatment plants. It is hoped that through this approach the HRA will overcome in the short-term Nitrate Neutrality requirements.
- 12.37 As the HRA proposes more schemes through the annual cycle the ability of the Council to manage its responsibilities towards Right to Buy expenditure and its 1:4:1 agreement with government will be managed.
- 12.38 **The HRA has twelve pre-approved social housing development and regeneration schemes:** in the West there is the North Taunton Woolaway Project, Zero Carbon Affordable Homes, Seward Way and Oxford Inn, and in the North there is Penlea House, Bigwood and Staple, Bespoke Homes 1, Sydenham, Tuckerton Lane, Carrotts Farm, Stafflands Farm and Cricketers.
- 12.39 **This report seeks approval to deliver four new schemes:** Taunton Road (11 units), Bespoke Homes two (2 new and 2 converted homes), Rochester Road (8 units) Move on / Step down units and additional Step Down / Move On using modern methods of construction (16 units).
- 12.40 The current schemes and those proposed, will deliver social and affordable homes between 2023 and 2027. The updated Business Plan includes these as well as £10m in the pipeline for those that have not yet been development into individual schemes. These proposals will enable the Council to meet its total spend requirements for the next 6 years under the RTB "1-4-1 Agreement".

12.41 The RTB Scheme enables the Council to subsidise the cost of building a new home to up to 40% with the Council funding the remainder from other sources, such as borrowing. A new build scheme can only have one source of Government funding so is not permitted to have both, for example, Homes England and retained RTB receipts as funding. The exception to this has been the interpretation used for the new Homes England Regeneration schemes which have seen Somerset Council awarded the first fund which introduced £5m additional subsidy into the North Taunton regeneration project replacing £5m of HRA borrowing and sitting alongside RTB funding.

Budget Returns

12.42 The Council has through its business planning process introduced a more strategic approach to investing in new and acquired homes. One benefit of this approach is to remove £32m of schemes requiring some additional appraisal from the business plan. The HRA has a healthy pipeline of schemes being considered which it will bring forward for Full Council approval on an annual basis. The following schemes previously approved will be returning to pipeline status until a time to bring them forward.

12.43 This report seeks approval to return capital budgets for North Taunton Phase D, Zero Carbon Affordable Homes, Tuckerton Lane and Buybacks. The HRA will benefit by reappraising these schemes against other pipeline schemes. Some of these schemes have questions in terms of planning, phosphate, grant or their outputs. By placing these properties in the pipeline the HRA has also reduced its assumed borrowing for development by c£32m. Together with additional grant for existing schemes the HRA business plan has been able to utilise and spread nearly £40m of borrowing to achieve zero carbon in its existing stock. The business plan has had to forgo assumption on rents for the properties placed in the pipeline and therefore the business plan retains pressure in its later years,

12.44 **North Taunton Woolaway Project Phase D (West of Somerset):** Members are asked to approve a **budget return** of £20,274,207 for the North Taunton Woolaway Project Phase D. This scheme will now await an option appraisal as a pipeline scheme. The delivery of this schemes requires a resolution in terms of phosphate requirements and additional costs relating to highway infrastructure. Please note that all tenants living in phase D will be accommodated in NTWP phases A, B and C or if they choose away from the estate.

- 12.45 **Zero Carbon Affordable Homes (West of Somerset):** Members are asked to approve a **budget return** of £10,499,189 for the Zero Carbon Affordable Homes scheme. These schemes will now await an option appraisal as a pipeline scheme. One scheme did not receive planning permission and the service will consider if it progresses the scheme through redesign, two schemes may be redesigned to support more homes suitable for vulnerable adults and young people, one scheme will be considered following a revision of market cost and inflation due to the passage of time since its budget was agreed.
- 12.46 **Tuckerton Lane (North of Somerset):** Members are asked to approve the **budget return** of £950,000 for the Tuckerton Lane scheme. This scheme will now await an option appraisal as the scheme included a community facility which is challenging to fund without additional subsidy.
- 12.47 **Purchase of Properties for RTB (North of Somerset):** Members are asked to approve **budget return** of £500,000 for the Purchase of Properties for RTB scheme. These purchases are no longer required in the short term as the HRAs is progressing 35 acquisitions through the Local Authority Housing Fund and Rough Sleeper Accommodation Programme. The current and proposed new build development programme sufficiently meet our 1-4-1 spend requirements over the next six years, without the need to purchase properties.
- 12.48 A brief update on each live and proposed scheme is provided below:
- 12.49 **North Taunton Woolaway Project (West of Somerset):** This is a major regeneration project in progress at North Taunton which is a significant financial commitment and one with a significant impact on the community. The scheme involves demolishing a large number of defective nontraditional build Woolaway Homes and replacing them with a larger number of low carbon homes with a wide range of bed sizes and all to a lifetime homes standard. The homes are all built to accessibility standards and the development includes a good proportion of fully adapted properties. The cost of regeneration is high compared to development on a clean site as some properties have to be purchased from private owners before demolition and building and decanting is required, and compensation paid. Since its commencement the Council has been successful in obtaining funding from Homes England to help subsidise and reduce the amount of borrowing required for this scheme.
- 12.50 **Seaward / Rainbow Way (West of Somerset):** This scheme provides 54 net zero homes including flats, houses and accessible bungalows. The scheme is in Minehead in the far west of the local authority area. The scheme has benefitted from a design and

build contract entered pre covid and is exceptional value with various subsidies supporting the schemes. The first lets are anticipated March/April 2024 with the remainder in 2024/2025.

- 12.51 **Oxford Inn (West of Somerset):** Oxford Inn is in Halcon, Taunton and was a public house owned by the HRA. The building is being demolished and 2 houses and 6 flats are being built to net zero standards.
- 12.52 **Penlea House (North of Somerset):** This development in Bridgwater is on the site of a large HRA property. The scheme is in development and will provide 33 flats including 10 fully wheelchair accessible units on the ground floor. The scheme is in development.
- 12.53 **Bigwood and Staple (North of Somerset):** This scheme is built on a brownfield site where a fire destroyed the former commercial buildings. The schemes will deliver 29 homes for social rent and is close to completion. The scheme contributed to the town centre regeneration of Bridgwater. Many of the scheme's properties are designed to support those who need occasional carers or flexible space.
- 12.54 **Bespoke Homes 1 (North of Somerset):** Like Bespoke Homes 2 this scheme provides a number of new build larger homes for families with extra complexity whilst also converting some to support larger families with additional health challenges.
- 12.55 **Sydenham (Bespoke Homes One) (North of Somerset):** This scheme is complete and in its defects period. This turned an underused HRA garage site into 15 modern homes including a bespoke 6-bedroom home in partnership with Somerset Occupational Health Scheme.
- 12.56 **Carrotts Farm (North of Somerset):** This scheme is delivering three 2 bed homes purchased from the market for social rent.
- 12.57 **Cricketers (North of Somerset):** This scheme will deliver 16 new homes which will be 1, 2 and 3 bedroom in Nether Stowey supported by Homes England and HPC Funding. The scheme is on site with ten properties let and six to be let shortly. The units will be at affordable rents in line with the Home's England funding (£1,570,000).
- 12.58 **Taunton Road (North of Somerset):** This is a new scheme for members to approve of 11 dwellings benefitting from RTB funding and awaiting confirmation that brownfield fund can be used on this scheme. This will be delivered using low carbon construction with an anticipated delivery in 2025.

- 12.59 **Bespoke Homes 2 (North of Somerset):** This scheme will deliver two large 5/6 bed new homes for rent and two converted existing HRA dwellings. This scheme will provide larger homes for families with complex housing and health needs. This is a new scheme for members to consider providing low carbon homes with the support of Somerset's Occupational Health Service. These homes rarely come through the planning system.
- 12.60 **Rochester Road and Step Down / Move On MMC Accommodation (West of Somerset):** The HRA will use modern methods of construction to build 24 units of single persons accommodation. These homes will benefit from Better Care Fund and Council borrowing. The properties will be used for step down/move on accommodation for vulnerable adults and children leaving care. The homes will allow up to a two-year period to help tenants strengthen their skills to sustain tenancies and prepare for their seek their next step on their housing pathway.
- 12.61 **Local Authority Housing Fund (LAHF) and Rough Sleeper Accommodation Programme (RSAP):** The HRA is a great place to host properties which are of the benefit to the General Fund especially where the grant rates work in favour of the General Fund and the HRA. The HRA predict to have purchased 35 properties between 2022 and 2025 which will benefit the General Fund objectives in relation to displaced persons and rough sleepers. These properties are purchased from the market and the preference is for ex local authority stock. The programme has purchased properties in Yeovil as well as Taunton and Bridgwater. These types of initiatives bend the capacity of the HRA however provide strength to the HRA Business Plan.

13 HRA Unearmarked Reserves

- 13.1 The Housing Revenue Account (HRA) Unearmarked Reserves opening balance for 2023/24 of £13.699m stands above the recommended minimum balance of £3.722m and provides ongoing financial resilience and mitigation for unbudgeted financial risks.
- 13.2 The recommended minimum balance for the combined HRA is £3,722,400 and is equates to approximately 6.5% of the budget gross income for 2024/25 and £385 per property.
- 13.3 As part of the budget setting proposals to Full Council on 22 February 2023, £1.650m of current reserves was used to support the base budget in 2023/24. The Q3 outturn forecast projection for 2023/24 is an overspend of £275k, suggesting that the closing

PAPER A

balance at the end of the year will be £11.774m.

- 13.4 The forecast budget gap for 2024/25 is a surplus of £1.291m which is being proposed to transfer to General Reserves and will increase balances to £13.065m which is £9.343m above the minimum balance. Table 12 below summarised the financial projections for the HRA's unearmarked reserves.

Table 12: HRA Unearmarked Reserves Balance

	Approval	£000
Balance Brought Forward 1 April 2023		
From Sedgemoor District Council		10,713
From Somerset West and Taunton		2,986
Total Balance Brought Forward 1 April 2023		13,699
Budgeted Contribution to support base budget 2023/24	FC – Feb23	-1,650
Current Balance		12,049
Forecast: 2023/24 Projected Overspend		-275
Projected Balance 31 March 2024		11,774
Budgeted Transfer of Surplus to General Reserves		1,291
Projected Balance 31 March 2025		13,065
Recommended Minimum Balance		3,722
Projected Balance above Minimum Reserve Balance		9,343

- 13.5 Whilst the budget has been set based on best estimates using information currently available, a budget is just an estimate and the HRA has highlighted a number of risks in section 3 above. It is prudent to maintain a sufficient level of reserve above the minimum balance to provide financial resilience and mitigation for unbudgeted financial risks that may come to light during the financial year.

14 Right to Buy Scheme

- 14.1 The Right to Buy (RTB) Scheme is a government scheme that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The scheme saw the maximum discount increase significantly in 2012 from £30,000 up to £75,000 followed by a steady increase year on year to up to £96,000 from April 2023.
- 14.2 The legacy Council's signed up to a "1-4-1 Agreement" with the Treasury/Government to retain a higher proportion of RTB the additional receipts on the understanding that

PAPER A

these receipts would be used to fund new social housing. This agreement continues now under Somerset Council until such time as the Council decides to opt out.

- 14.3 The Government introduced new rules in relation to the “1-4-1 Agreement” and RTB receipts in April 2021. The new guidance allows the Council to spend RTB receipts over a 5-year period instead of the previous 3-year period and has increased the RTB subsidy towards new affordable homes from 30% to 40%. This places pressure on the business plan to fund the remaining 60% usually from borrowing, as the RTB capital grant cannot be used in conjunction with any other government grants within a single new build scheme.
- 14.4 Since the increase to the discount was implemented in 2012, RTB sales have increased. The RTB sales during the last three years and predicted for 2024/25 are shown in table 13 below.

Table 13: RTB Sales from 2020/21 to 2022/23, and estimated for 2023/24

	HiS	In-House	Combined Total
2020/21	21	34	55
2021/22	36	35	71
2022/23	22	28	50
2023/24*	3+4	11+6	24

* estimated total RTB sales

- 14.5 The number of RTB sales have dropped significantly during 2023/24 most likely due to the rise in interest rates on mortgages and the overall increase in the cost of living. Future years’ trends will be monitored closely to see if this reduction continues and if so, the business plan may be updated. However, for now, the Council will continue to estimate that on average 55 properties will be sold each year through the Right to Buy Scheme. Therefore, growth in our housing stock is vital to replace stock and attempt to ensure Somerset has more affordable homes to meet the increasing demand.
- 14.6 For each RTB sale the capital receipt has to be ‘pooled’. The Council does not get to keep the full receipt. The receipt is split over the following main areas:
- 1-4-1 Spend – to subsidise replacement homes (40% maximum of the cost)
 - Unadjusted Allowable Debt – towards historic debt (from self-financing)
 - Treasury Share – paid back to Government
 - Transaction Costs – £1300 per sale towards the cost of administering the scheme

PAPER A

- 14.7 The MTFP and Business Plan projections show that the Council is able to meet its RTB 1-4-1 spend target for the next 6 years as long as the proposed capital social housing development programme (as shown in **Appendix D**) is delivered successfully.
- 14.8 There is a strategic financial risk that will need to be monitored closely on an annual basis to ensure that RTB 1-4-1 spend targets can be met for the following 6 years with each iteration. If this is not possible then the Council will need to consider building capacity into the business plan to make this affordable (e.g. embedding efficiency savings, reducing major works and improvements capital programme, etc), otherwise the Council will need to consider gifting the receipts to a Registered Housing provider or repaying capital receipts upon sale to the Treasury to avoid interest payments of 4% above base rate.
- 14.9 To date, with the exception of one instance in Q1 2015/16 where receipt and interest was repaid by Sedgemoor District Council, the Council has successfully fully spent all of their retained 1-4-1 receipts.

15 Treasury Management

- 15.1 In 2012 the legacy Councils took out additional external borrowing of £133m (£85.198m for the Somerset West and Taunton Council legacy authority and £47.321m for the Sedgemoor District Council legacy authority) as part of the self-financing settlement with the Government.
- 15.2 As part of the self-financing agreement, an individual housing revenue borrowing cap was implemented (£116m for SWT and £61m for SDC). This meant that the HRA was unable to exceed capital borrowing within the HRA Business Plan. The Government has since abolished the HRA Debt Cap in October 2018 and HRAs are able to borrow against their expected rental income, in line with the Prudential Code.
- 15.3 The HRA is charged with the costs of any borrowing – both for external loans attributed to HRA capital investment and for any internal borrowing required from the Council's cash reserves to fully cover the HRA's capital borrowing requirement (also known as the Capital Financing Requirement – CFR).
- 15.4 The estimated CFR on 1 April 2024 is £191m. It is currently projected this will be financed with £159m of existing external loans taken by the HRA and the balance covered by existing HRA reserves. The estimated CFR on 31 March 2025 is £216m. It is

PAPER A

currently projected this will be financed with £159m of existing external loans taken by the HRA, £24m of internal borrowing and the balance covered by existing HRA reserves. These figures will be updated as capital expenditure is incurred, and treasury management decisions are taken regarding use of internal and external borrowing throughout the year.

- 15.5 The existing external loans attributable to the HRA carry an average interest rate of 2.84%. It is assumed that any new borrowing will incur interest costs at an average 4.5%. The 2024/25 budget includes an estimate of £6.140m for total interest costs taking into account the forecast financing requirements for the year ahead. This includes an estimate for internal borrowing costs from the Council and as such there is no expectation for any investment interest earned by the Council in proportion to HRA reserve balances.
- 15.6 The Business Plan assumes that there will be a significant increase in new borrowing from year 10 onwards to meet the increased ambitions for capital investment. This will result in additional cost pressures to cover the financing of this new investment and refinancing of existing loans. The business plan model uses Major Repairs Reserve and other capital reserves first to finance capital spend, with borrowing used as 'last resort' for the residual balance of financing required.
- 15.7 Unlike the General Fund, there is no statutory requirement for the HRA to make a minimum revenue provision (MRP) charge to revenue in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. The HRA can however make a voluntary revenue provision – at present the HRA revenue budget does not have ongoing financial capacity to fund this, and instead has committed to use a combination of RTB Unadjusted Allowable Debt and new capital receipts from the open market to repay debt, finance any new external borrowings as required or to reduce the year-on-year capital financing requirement, up to £1.821m per year (this was the amount previous set aside by SWT) where reserves balances allow.
- 15.8 The cash flow, investment and borrowing activities related to the HRA will be undertaken within the overarching framework and operations for treasury management within Somerset Council and advice sought from Arlingclose, the Council's Treasury advisors. Please refer to the Council's Capital Strategy 2024/25 and Treasury Management Strategy 2024/25 being presented to Full Council on the 20 February 2024.

16 Challenges and Next Steps

PAPER A

16.1 The HRA needs to continue to operate as a long-term business. A long-term view is required when making decisions. The HRA projections should be treated as part of the early warning system that helps it to identify, manage and mitigate the effects of emerging risks, while spotting and maximising potential opportunities.

16.2 To deliver an HRA that is financially sustainable requires a medium-term focus on reducing costs and maximising income, while exploring further options that help safeguard its financial health. The following assumptions are embedded within the current Business Plan and it is important that these are delivered:

- Reviewing the recovery of costs to ensure **service charges** reflect the costs of services provided over the medium term – to deliver £50k pa for five years starting 2025/26 to a total of £250k pa.
- Ensuring the allocation of **corporate costs** to the HRA is set at a fair level – to deliver savings of £700k from 2025/26.
- Implementing a **five-year efficiency programme** that reduces housing management and repairs & maintenance costs by 2% pa, starting in 2025/26 – to deliver savings of £508k in 2025/26 and achieving £2.539m by 2029/30.
- Introduce **rent flex** for homes managed by HiS.
- **Reduce void loss** to achieve an average of 1.5% across the entire HRA stock (for general needs, sheltered and extra care).
- Increased **capital receipts** of £1.225m per year from 2024/25 from open market sales to fund repayment of debt.
- Improve **stock related data** in relation to long term component replacements for the in-house stock and the net zero decarbonisation requirement for all dwellings. These gaps increase the risk that the assumed future investment levels may be inaccurate. The authority needs to improve the data available to minimise this risk.
- Establishing an affordable mechanism for **housing stock growth**.

17 Legislation

17.1 The HRA is governed by the following legislation:

PAPER A

- Housing Act 1985 (Part II)
- Housing Act 1988
- Local Government and Housing Act 1989 (section 74)
- Local Government Act 2003
- Localism Act 2011

- 17.2 The introduction of the Local Government and Housing Act 1989 meant that the HRA was now required to become a 'ring-fenced' account, completely separated from the GF. As a consequence local authorities can only include items in the HRA for which there is statutory provision, and transfers of income and expenditure between the HRA and the General Fund are only allowed in very specific circumstances. In essence, rents cannot be subsidised by transfers from the General Fund, and Council Tax cannot be subsidised by transfers from the HRA.
- 17.3 The introduction of the Localism Act 2011 reformed local authority housing financing with the abolition of the national subsidy system and a move to 'self-financing' from April 2012. This meant that local authority housing revenue accounts are able to retain all rental income to meet the costs of managing and maintaining their housing stock.

Background Papers

Housing Revenue Account (HRA) Budget Estimates 2020/21 (Including Rent Setting and Fees and Charges) – SWT Full Council 19 February 2020

[HRA Budget Setting including Rent Setting and Fee and Charges REPORT 202...](https://www.somersetwestandtaunton.gov.uk)
([somersetwestandtaunton.gov.uk](https://www.somersetwestandtaunton.gov.uk))

Housing Revenue Account Draft 30 Year Business Plan and Rent Charging Policy – SCC Executive 14 December 2022

[Meeting of SCC Executive on Wednesday, 14th December, 2022, 10.00 am - Modern Council](https://www.somerset.gov.uk)
([somerset.gov.uk](https://www.somerset.gov.uk)) (Item 9)

Housing Revenue Account Rent Set Report 2023/24 and Updated 30 Year Business Plan – SCC Full Council 22 February 2023

[Meeting of SCC County Council on Wednesday, 22nd February, 2023, 10.00 am - Modern Council](https://www.somerset.gov.uk)
([somerset.gov.uk](https://www.somerset.gov.uk)) (Paper E)

2024/25 General Fund Budget Report including Fees & Charges Report (ref DHL) – SC Full Council 20 February 2023

PAPER A

Medium Term Financial Reports 2024/25 including the Capital Strategy 2024/25 and Treasury Management Strategy 2024/25 - SC Full Council 20 February 2023

List of Appendices

Appendix A	Revenue Budget and Medium Term Financial Plan for 2024/25
Appendix B	Proposed Fees and Charges for Homes In Sedgemoor for 2024/25
Appendix C	Proposed Fees and Charges for the In-House Service for 2024/25
Appendix D	HRA MTFP 10-Year Capital Programme
Appendix E	HRA Proposed Capital Budgets for 2024/25 and Capital Financing per Scheme
Appendix F	Equality Impact Assessment Form

PAPER A

Report Sign-Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	25.01.2024
Communications	Peter Elliott	23.01.2024
Finance & Procurement	Nicola Hix	24.01.2024
Workforce	Alyn Jones	23.01.2024
Asset Management	Oliver Woodhams	23.01.2024
Executive Director / Senior Manager	Chris Hall / Jason Vaughan	22.01.2024/ 24.01.2024
Strategy & Performance	Alyn Jones	23.01.2024
Executive Lead Member	Cllr Federica Smith / Cllr Liz Leyshon	24.01.2024/ 23.01.2024
Consulted:	Councillor Name	
Local Division Members		
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	Sent 25.01.24
	Cllr Andy Dingwall Opposition Spokesperson for Communities, Housing and Culture	Sent 25.01.24
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	Sent 25.01.24
	Cllr Gwil Wren, Chair - Scrutiny Communities Committee	Sent 25.01.24

PAPER B

Appendix A: HRA Revenue Budget and Medium Term Financial Plan for 2024/25

	COMBINED	In-House	HiS	COMBINED	COMBINED	COMBINED	COMBINED	COMBINED
	Year 0	Year 1	Year 1	Year 1	Year 2	Year 3	Year 4	Year 5
	2023.24	2024.25	2024.25	2024.25	2025.26	2026.27	2027.28	2028.29
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Income:								
Dwelling Rents	-45,184	-30,529	-20,385	-50,914	-51,426	-52,565	-53,615	-54,506
Non-Dwelling Rents	-1,287	-735	-602	-1,336	-1,340	-1,352	-1,364	-1,376
Charges for Services / Facilities	-3,374	-1,955	-1,625	-3,580	-3,589	-3,621	-3,653	-3,685
Other Income	-1,407	-303	-1,256	-1,560	-1,496	-1,497	-1,499	-1,500
Sub-Total Gross Income	-51,252	-33,522	-23,869	-57,391	-57,851	-59,034	-60,130	-61,068
Gross Expenditure:								
HRA Growth, Strategy and Business Function	11,567	704	11,922	12,626	12,761	12,802	12,846	12,896
HRA Income & Tenancy Management	4,769	5,445	26	5,471	5,523	5,744	5,834	5,926
HRA Property	9,521	11,101	0	11,101	11,038	10,973	10,938	10,862
Central Recharges	3,857	2,966	470	3,436	3,504	3,585	3,668	3,753
Sub-Total Service Expenditure	29,715	20,216	12,418	32,634	32,826	33,104	33,287	33,437
Central Costs / Movement in Reserves:								
Interest Payable	5,792	4,437	1,692	6,128	7,223	7,300	7,501	7,759
Interest Receivable	-254	0	0	0	0	0	0	0
Change in Provision for Bad Debt	147	197	0	197	197	197	197	197
Depreciation	16,338	9,537	7,604	17,141	17,477	17,819	18,169	18,525
Capital Financing	1,163	0	0	0	0	0	0	0
Capital Debt Repayment	0	0	0	0	0	0	0	0
Movement In Reserves	-1,650	-864	2,155	1,291	0	0	0	0
Sub-Total Central Costs / Movement in Reserves:	21,537	13,306	11,451	24,757	24,897	25,316	25,867	26,481
Net Surplus(-) / Deficit for the Year	0	0	0	0	-128	-615	-977	-1,150

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PAPER B

Appendix B: Proposed Fees and Charges for Homes In Sedgemoor in 2024/25

Service Charges for Dwellings	HB	Rent £ per week based on 50 week rent year in 2023/24 (£)	Rent £ per week based on 51 week rent year in 2024/25 (£)
Caretaking	Yes	2.69 - 16.48	3.90 - 21.98
Cleaning	Yes	1.16 - 9.95	*1.25 - *10.72
Communal areas, general needs	Yes	0.07 - 23.52	*0.08 - *25.33
Digital aerials	Yes	0.63 - 1.53	0.68 - 1.65
Door entry	Yes	0.19 - 9.79	0.20 - 10.54
Extra Care Charge (including aerials, communal cleaning & communal area)	Yes	14.18 - 26.17	*15.27 - *28.19
Heating	No	3.56 - 12.01	*3.83 - *12.93
Independent Living Service - bronze level	Yes	10.21	11.00
Independent Living Service - gold level (bronze + £11.00) First £11.00 of this charge is eligible for HB	see service description	20.43	22.00
Independent Living Service - silver level (bronze + £7.43) First £11.00 of this charge is eligible for HB	see service description	17.11	18.43
Laundry	Yes	0.28 - 3.30	*0.30 - *3.55
Lifeline (sheltered & extra care)	No	1.94	2.09 - 3.50
Sewerage	No	6.67 - 8.14	5.59 - 10.60
Supported housing	Yes	0.49 - 38.22	*0.53 - *41.16
Estate Management	Yes	2.66	2.66
Management Fee	Yes		*1 0.11 - *1 5.74

PAPER B

** these figures provide an indication of the likely charge to be applied based on an inflation uplift of 7.7%. Tenants will be charged based on estimated costs incurred in 2023/24 and may differ to the figures provided above.*

**1 this charge will be separately itemised on the rent set letter in 2024/25.*

Garage Rents	HB	Rent £ per week based on 50 week rent year excluding VAT in 2023/24 (£)	Rent £ per week based on 51 week rent year excluding VAT in 2024/25 (£)
Non refurbished garage rent	No	9.96	10.73
Newly refurbished garages	No	11.98	12.90

Communal Halls	HB	Per Hour in 2023/24 (£)	Per Hour in 2024/25 (£)
Tenant booking for residents only	No	free	free
Non resident regular bookings (VAT exempt) (regular booking - a minimum of 1 booking per quarter over 12 months or weekly/fortnightly over 3-12 months)	No	9.40	10.03
All other bookings (VAT exempt)	No	11.20	11.95

Appendix C: Proposed Fees and Charges for the In-House Service for 2024/25

1 Background

1.1 The Somerset Council in-house Housing Service reviewed its approach to setting service charges to ensure that we can apply charges that accurately reflect our costs and allow us to recover legitimate expenditure not covered through rent. To this end we engaged Altair Consultancy and Advisory Services last year and this year jointly engaged a consultant through Homes in Sedgemoor to independently review our approach, fairness and transparency.

1.2 Findings from this work included:

- Our service charges are very low compared to other Housing Providers in our area and not all service charge recoverable expenditure is being identified. Service Charges should be set to fully recover the costs of the service they deliver and currently this is not happening (with any shortfall needing to be covered from rent), although we improved our position in 2023/24.
- Service charges should be based on actual expenditure as far as possible, rather than inflationary uplifts, where these costs are known.
- Greater transparency should be offered by separating out charges to give greater granular detail and a hierarchy of costs should be created that ultimately provides costs at scheme level.
- Application of service charges should be tenure blind (charge the same level for the same service for leasehold and tenants) to ensure fairness and consistency.
- Introduce a management fee to reflect the costs of managing and delivering service charge work and the related back-office costs. The Housing Sector standard is 10-15% and last year we introduced one at 10% but want to review this again to ensure it is fair and meets best practice.
- Make further changes in a phased approach over time (e.g. more detailed review of staff activities and charging; creating a sinking fund for capital works on communal areas; and de-pooling charges from rent). This incremental approach will allow the Council to implement change carefully and accurately; ensure that future price changes are not too significant at any time and also consider how SWT and Homes in Sedgemoor better align our approaches. The intent is to progress this work further in 2024/25.

1.3 Further Background

1.4 The fees and charges for the HRA will be approved by Full Council on the 20 February 2024.

1.5 Housing Service Charges are made to housing tenants for the services that they use. Service Charges are set locally each year and are in addition to the Social Rent

Charges.

- 1.6 The September 2023 CPI figure is 6.7% as published by the Office for National Statistics in October 2023.
- 1.7 Social Housing normally follows the rent setting standard as set out in the 'Policy statement on rents for social housing'¹, which stated that social housing rents would rise by CPI+1% between 2020 and 2025. Last year, due to high inflation, the government capped rent increases at 7%, however the government has confirmed in the autumn statement that rents will go back to the rents standard for 2024/25 which is set at an increase of CPI+1% (i.e. 7.7%). We have aligned some of our service charge increases to this.

Legal Authority

- 1.8 Through Section 2 Part 24 of the Housing Act 1985 (as amended by Local Government & Housing Act 1989) Somerset Council are permitted to make the charges detailed.

Equality Impact Assessment

- 1.9 An Equality Impact Assessment form has been completed and Housing Services will continue to provide several initiatives to enable tenants to manage their finances and maximise their income (such as regular surgeries across the district for tenants, specialist Debt and Benefit drop-in sessions, access to Case Managers who are experienced at debt and benefit advice, as well as signposting to external agencies for support i.e. CAB).
- 1.10 We are aware of the impact of inflation and how some tenants are struggling with the cost of living and have considered this in setting our service charges. Charges have been set to ensure compliance with the government policy statement whilst considering the need to set an affordable budget for the Housing Service for next year and balancing this with affordability pressures of tenants. A comparison of SWT rents and service charges against other social landlords operating in our District (along with the private rented sector average) is shown in Table 4 and Table 5 (at the end of this Appendix D).
- 1.11 The 7.7% level set by the council is in line with the policy statement on rents for social housing and is marginally above inflation. We have carefully set our service charges for 2024/25 to ensure we collect the income required to cover costs incurred and therefore minimise the need to make cuts to non-statutory HRA services (which tend to be those that support the most vulnerable tenants and those with protected characteristics – such as commissioned services for mental health support, community groups and financial advice).
- 1.12 We can continue providing services such as additional debt and benefit advisors, commissioned 'Money Matters' service such Citizens Advice and Mental Health support through MIND to help support some of our most vulnerable tenants, many of whom will

¹ [Policy statement on rents for social housing - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

PAPER B

have protected characteristics.

- 1.13 Apart from Deane Helpline, all service charges levied on tenants are HB eligible and therefore those tenants on HB or UC will have these costs paid for them through these benefits. 52.1% of tenants are in receipt of benefits (48.7% of general need tenants, rising to 68.5% for Sheltered Tenants and 61.1% for Extra Care tenants). As a rule, although tenants with disabilities tend to have lower average incomes, they will usually qualify for Housing Benefit or Universal Credit and in addition, people with difficulties with daily activities or mobility may qualify for Disability Living Allowance or Personal Independence Payments. Therefore, none of these tenants will be affected by the increase in service charges. Although Deane Helpline is not eligible for HB, the Council previously decided that the Housing Revenue Account would pay for lifeline costs for tenants on benefits, therefore ensuring the majority of tenants will not pay for this service, due to the subsidy the Housing Revenue Account pays.

Fees & Charges

- 1.14 The fees levied for 2024/25 for guest room hire will be increased by CPI and then rounded to the nearest 50p as requested by tenants during feedback provided in 2017/18. Guest Rooms are currently not available due to works required to bring to rentable standard.
- 1.15 Rents for Temporary Accommodation properties will be at the September CPI rate of 6.7% increase. Please see **Table 1** below– Charges for Temporary Accommodation.

Table 1: Charges for Temporary Accommodation for 2024/25

Bedroom weight	Current 2023/24 Charge £	Proposed 2024/25 Charge £	Actual increase £
1 Bedroom	£18.20	£19.42	£1.22
2 Bedrooms	£22.92	£24.46	£1.54
3 Bedrooms	£26.83	£28.63	£1.80
4 Bedrooms	£32.85	£35.05	£2.20

- 1.16 A 10% Management Fee will continue to apply to service charges. This fee has been set at the lower end of the sector norm (10-15%) and is to recover costs of managing and administering service charges. These costs that need to be recovered includes service charge queries, managing services, performing inspections, processing budget setting and financial accounts and administrative duties. This charge is only to recover our costs and not make profit from the money we collect. This service charge is covered by Housing Benefit where the tenant is eligible. The service charges included in the 10% calculation are Grounds Maintenance, Exceptional Street Cleaning, Communal Areas, Laundry, Door Entry and Sewerage. We have opted to exclude some areas from this management fee including Sheltered, Extra Care, Lifeline and heating and utility charges. This is to help ensure that service charges remain affordable for tenants.
- 1.17 Cost pressures for Grounds Maintenance have been significant with wage inflation and

PAPER B

other inflation putting pressure on the budget. The Housing Service has agreed cost increases with the Open Spaces team to be limited to CPI+1% and to limit the impact on the service standard provided. Although there will be some reduction in weed spraying and edging works, the service delivered will be largely identical to the current year, with a cost increase of 7.7% (in line with rent increases). This will mean an increase from £2.20 per week to £2.37 (17p per week) for tenants.

- 1.18 The average net impact in terms of additional weekly costs for a typical tenant would be:

Table 2: Average weekly Service Charge increase including management fee

Tenant (example of typical case)	Average weekly Service Charge increase including management fee
General Needs tenant just benefitting from grounds maintenance and exceptional street cleaning	£0.28
As above, plus communal areas with lighting and automated door opening.	-£0.32
As above, but also receiving Sheltered Housing Service	£1.13
Tenant receiving grounds maintenance, communal areas with lighting, door opening and Extra Care Housing Service	£2.13

Note – 52.1% of tenants are in receipt of benefits (48.7% of general need tenants, rising to 68.5% for Sheltered Tenants and 61.1% for Extra Care tenants).

- 1.19 **Table 6** at the end of this Appendix D below provides further detail of the net impact to tenants, the increases range from an increase of £5.97 a week (for both rent and service charges) for a one-bedroom dwelling receiving Grounds Maintenance, Exceptional Street Cleaning and Grounds Maintenance to an increase of £10.85 for a 6-bedroom dwelling eligible for all Grounds Maintenance and Exceptional Street Cleaning.
- 1.20 Supported accommodation properties will see a maximum increase of £8.59 per week for a 2-bedroom property eligible for Supported Accommodation services as well as communal services, utilities, door entry, piper lifeline, support services and grounds maintenance.
- 1.21 Extra Care accommodation properties will see a maximum increase of £9.45 per week for a two-bedroom property eligible for all Extra Care accommodation services as well as communal services, utilities, door entry, piper lifeline, support services and grounds

PAPER B

maintenance.

1.22 Please see **Table 3** below for further detail.

Table 3: Service Charges for 2024/25

Charge description	23/24	24/25	Increase
Council Garage	£ 7.39	£ 7.96	£ 0.57
Private Garage ex VAT	£ 11.64	£ 12.54	£ 0.90
Private Garage inc VAT	£ 13.97	£ 15.05	£ 1.08
Communal Areas	£ 1.37	£ 0.73	£ (0.64)
Exceptional Street Cleaning	£ 0.00	£ 0.08	£ 0.08
Grounds Maintenance	£ 2.20	£ 2.37	£ 0.17
Heating charge	£ 6.07	£ 6.59	£ 0.52
Laundry charge	£ 1.84	£ 2.80	£ 0.96
Piper line for Sheltered Housing	£ 5.65	£ 6.03	£ 0.38
Supported Housing Management	£ 13.88	£ 14.95	£ 1.07
Piper Line for Extra Care Housing	£ 6.53	£ 6.97	£ 0.44
Extra Care Housing Management	£ 26.07	£ 28.08	£ 2.01
Management Fee (Average)	£ 0.26	£ 0.29	£ 0.03
Utility bill for Communal Internal Areas	£ 0.86	£ 0.86	£ 0.00
Door Entry System	£ 0.23	£ 0.33	10p (note 2022/23 undercharged in error)

Exceptions (to increasing by CPI +1%)

1.23 Charges for properties not on mains sewerage.

1.24 These properties charges for sewerage will be increased in line with the Wessex Water increases for 2024/25 once known. Wessex Water rates for sewerage standing charge per annum and poundage charges are used in the system calculation. We will also be sending bills to freehold owners where we have undertaken sewerage maintenance works to recover costs of maintenance attributable to their address.

1.25 For 2023/24 these are £7.00 per annum for unmetered sewerage standing charge and £1.57 for the poundage charge payable per £ of rateable value of the property.

1.26 Wessex Water will publish their new charges in February 2024 (available from their

website) for 2024/25.

Shared Ownership properties

- 1.27 Shared ownership service charges will be in accordance with the lease agreement.

Piper Lifeline

- 1.28 Piper lifeline will be increased by 6.8% in line with separate fees and charges report for approval.

Utilities

- 1.29 In 2023/24 we separated out the Utility charge from 'communal areas' in recognition of the changeable costs of this. This is applied to those tenants that have communal blocks to cover the cost of energy usage in communal areas. We are unable to extract cost data from Microsoft Dynamics for spend on communal areas for 2023/24 to base our charge on for 2024/25 and therefore have frozen last years charge and will apply this again for next year. We will look to revert back to actual cost data for future years service charge setting.

Communal door entry systems

- 1.30 Some of our communal properties benefit from electronic key fobs which we incur an annual charge for connection, webhosting, and maintenance (as well as key replacement, enabling new keys and disabling old keys). This has been calculated at cost from the supplier and shared equally across all properties that benefit from this system at £0.33 per week.

Communal Areas

- 1.31 Communal Areas have now been costed back to expenditure. Expenses did reduce in some areas including planned and responsive maintenance and cleaning. This charge has been divided between eligible properties and is applicable to any property which has a communal area, and all pay the same rate regardless of what specific services they get. It should be noted that we will be going to tender in 2024 for a new cleaning contract following consultation with tenants and this is likely to lead to an increased cleaning service charge for 2025/26.

Exceptional Street Cleaning

- 1.32 These costs are related to provision of skips as well as removal of fly tipping and white goods that occur on our housing estates and are eligible to be service charged. These costs have been applied equally to all tenants.

Broomfield House

- 1.33 We have been able to source actual invoice cost data for both electricity and gas for 2023/24 for Broomfield House and have extrapolated for the whole year to set these charges for next year. This shows an increase for cost of the laundry room from £1.84 to £2.80 for 2024/25, however this is because we did not have actual cost data last year

PAPER B

and had just updated the previous years bills by CPI+1%. We have excluded the cost of Utilities which is shown separately. We are confident in our charges this time as we are using actual data.

Budget Impact

1.34 In accordance with the 30-year Housing Business Plan, it is proposed to increase Housing (non-rent) Fees and Charges by the CPI+1% aligned to rent increases as set out in the Policy Statement on rents for social housing, with the following exceptions:

- Water rates and non mains sewerage rates
- Shared ownership properties in accordance with the Lease agreement.
- Piper Lifeline (based on charges applied to Housing from this service)
- Utilities (based on last years costs without inflation)
- Communal Door entry systems (based on actual billed to Council for 2023/24)
- Communal areas based on actuals

PAPER B

Table 4 – Average weekly rent and service charges of Housing Providers in Somerset West and Taunton with housing stock of >100 (for period 2021/22)

The following table shows rent and service charges applied by social landlords in our District with stock of more than 100 properties during 2021/22. Rents would typically have increased by 4.1% in 2022/23 and a further 7% in 2023/24 and then 7.7% in 2024/25. For illustration this would put expected average rent (excluding service charges) for SWT general needs 2 beds at £99.85pw for 2024/25 and the equivalent at Magna (the next landlord with most stock) at £113.60pw. Landlords have different service offers and new-build housing programmes and some Supported Housing may be of a more specialist nature, so services may not always be directly comparable.

Housing Provider	Ave weekly social rents in SWT area for 2 bed home (2021/22)	General Needs Units with Service Charges	Average General Needs Service Charges	Average weekly rent – 2 bed Supported Housing	Sheltered/ Extra Care units with service Charges	Average Supported Housing service charge (all bedroom sizes)	Total rent and Service Charges (General Needs)	Total rent and Service Charges (Supported Housing)
SCC retained landlord housing rent	£83.24	4,633	£3.06	£86.94	945	£21.23	£86.30	£108.17
Magna Housing	£94.70	1,088	£12.49	£103.30	510	£23.10	£107.19	£126.40
LiveWest	£95.34	1,008	£5.73	£95.23	79	£53.73	£101.07	£148.96
Sanctuary	£96.13	272	£7.11	£91.36*	36	£96.00	£103.24	£187.36
Abri Group	£103.32	145	£4.58		-	-	£107.90	-
Stonewater	£98.68	127	£7.56		-	-	£106.24	-

Source: - RSH 2022 NROSH SDR Data Rents and Service Charges, General Needs and Supported Housing (Oct 2022)

* The service charge cost applied is an average service charge (rather than specifically for a 2 bedroom size)

** Sanctuary only have one bedroom Supported Housing in our area, so not directly comparable. Hence cheaper than other RPs.

PAPER B

Table 5 – Average private sector rent in Somerset West and Taunton District as at October 2023

The following table is a useful comparator showing the current average cost of renting properties in the private rented sector. The Local Housing Allowance is shown for information purposes only but illustrates that all general needs social housing is within local housing allowance levels. The average 2 bed property private sector rental is now £224.08 a month which is around twice the cost of rent for equivalent SWT social housing.

Property Type	Monthly rent	Weekly Equivalent	Local Housing Allowance Limit	Gov't proposed LHA rates 2024/25
Room in shared house	£610 (55 properties ave)	£140.77	£84.50	£93.00
1 bed	£723 (5 properties ave)	£166.84	£103.50	£132.33
2 bed	£971 (16 properties ave)	£224.08	£136.93	£166.85
3 bed	£1373 (13 properties ave)	£316.85	£164.55	£195.62
4 bed or above	£1708 (6 properties ave)	£394.15	£207.12	£230.14

Source: ONS and DirectGov websites www.Rightmove.co.uk (based on average cost of rental of properties advertised at Oct 2023) and www.spareroom.co.uk (October 2023).

The good news for tenants of the private rented sector is that the government is planning to uplift local housing allowance rates in 2024/25 for the first time in a while which will reduce the affordability gap. [indicative-local-housing-allowance-rates-for-2024-25.ods \(live.com\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/123456/indicative-local-housing-allowance-rates-for-2024-25.ods)

PAPER B

Table 6 – The gross impact of rent and service charge increase for different scenarios

The table below illustrates the net impact to tenants between current year and the proposals for 2023/24, the key below explains the different scenarios being illustrated. The charges for both years have been broken down into Rent and Service Charges as well as totalled with the difference highlighted in the column coloured blue.

		2023/24			2024/25			
Bedrooms	Scenario	Rent	Service Charge	Total	Rent	Service Charge	Total	Difference
1	A	£82.96	£2.42	£85.38	£89.35	£2.70	£92.04	£6.66
1	B	£82.96	£3.92	£86.88	£89.35	£3.50	£92.85	£5.97
1	C	£82.96	£5.04	£88.00	£89.35	£4.72	£94.07	£6.07
1	D	£86.72	£24.57	£111.29	£93.40	£25.70	£119.10	£7.81
1	E	£87.44	£37.64	£125.08	£94.17	£39.77	£133.94	£8.86
2	A	£92.74	£2.42	£95.16	£99.88	£2.70	£102.58	£7.42
2	B	£92.74	£3.92	£96.66	£99.88	£3.50	£103.38	£6.72
2	C	£92.74	£5.04	£97.78	£99.88	£4.72	£104.60	£6.82
2	D	£96.93	£24.57	£121.50	£104.39	£25.70	£130.09	£8.59
2	E	£95.08	£37.64	£132.72	£102.40	£39.77	£142.17	£9.45
3	A	£103.12	£2.42	£105.54	£111.06	£2.70	£113.76	£8.22
3	B	£103.12	£3.92	£107.04	£111.06	£3.50	£114.56	£7.52
3	C	£103.12	£5.04	£108.16	£111.06	£4.72	£115.78	£7.62
4	A	£113.64	£2.42	£116.06	£122.39	£2.70	£125.09	£9.03
4	B	£113.64	£3.92	£117.56	£122.39	£3.50	£125.89	£8.33
4	C	£113.64	£5.04	£118.68	£122.39	£4.72	£127.11	£8.43
5	A	£124.88	£2.42	£127.30	£134.50	£2.70	£137.19	£9.89
5	B	£124.88	£3.92	£128.80	£134.50	£3.50	£137.99	£9.19
5	C	£124.88	£5.04	£129.92	£134.50	£4.72	£139.22	£9.30
6	A	£137.35	£2.42	£139.77	£147.93	£2.70	£150.62	£10.85
6	B	£137.35	£3.92	£141.27	£147.93	£3.50	£151.42	£10.15
6	C	£137.35	£5.04	£142.39	£147.93	£4.72	£152.65	£10.26

PAPER B

Key:

Scenario A - Tenant only eligible for Grounds Maintenance.

Scenario B - Tenant eligible for Grounds Maintenance, Communal Areas (no internal communal areas or door entry

Scenario C - Tenant eligible for Grounds Maintenance, Communal Areas, Utilities and Door Entry

Scenario D - Sheltered Housing Tenant eligible for Grounds Maintenance, Communal Areas, Utilities and Door Entry

Scenario E - Extra Care Tenant eligible for Grounds Maintenance, Communal Areas, Utilities and Door Entry

PAPER B

Appendix D: HRA 10-Year Capital Programme 2024/25

Planned Capital Spend:

HRA Capital Programme	Total Planned Capex Budget	Planned Capex 2023/24	Planned Capex 2024/25	Planned Capex 2025/26	Planned Capex 2026/27	Planned Capex 2027/28	Planned Capex 2028/29	Planned Capex 2029/30	Planned Capex 2030/31	Planned Capex 2031/32	Planned Capex 2032/33	Planned Capex 2033/34
Major Works	117,009,014	14,067,336	14,511,360	12,977,772	11,852,373	11,968,974	11,951,475	8,809,086	8,641,586	8,813,286	6,709,983	6,705,783
Fire Safety	7,757,500	3,837,500	2,323,000	1,257,500	257,500	41,000	41,000	-	-	-	-	-
Related Assets	5,068,000	50,000	400,000	400,000	580,000	580,000	580,000	558,000	480,000	480,000	480,000	480,000
Exceptional & Extensive	6,315,365	700,933	1,305,000	1,342,914	942,914	842,914	1,180,690	-	-	-	-	-
Vehicles	3,064,006	-	279,825	285,422	291,130	296,953	302,892	308,949	315,128	321,431	327,860	334,417
ICT & Transformation	95,138	95,138	-	-	-	-	-	-	-	-	-	-
Aids & Adaptations & DFGs	4,070,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000
Sub-Total Majors & Improvements	143,379,023	19,120,907	19,189,185	16,633,607	14,293,917	14,099,840	14,426,057	10,046,035	9,806,714	9,984,717	7,887,843	7,890,200
Social Housing Development	66,314,044	12,617,424	17,194,487	17,023,560	12,441,965	3,385,062	1,851,546	1,800,000	-	-	-	-
Total In-House HRA	209,693,067	31,738,331	36,383,672	33,657,168	26,735,882	17,484,902	16,277,603	11,846,035	9,806,714	9,984,717	7,887,843	7,890,200
Major Works	79,585,212	11,976,519	8,334,700	7,315,119	7,293,519	7,293,519	7,293,519	7,077,519	5,790,699	5,736,699	5,736,699	5,736,699
Fire Safety	2,642,100	129,600	262,500	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Related Assets	-	-	-	-	-	-	-	-	-	-	-	-
Exceptional & Extensive	2,271,210	-	237,300	225,990	225,990	225,990	225,990	225,990	225,990	225,990	225,990	225,990
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
ICT & Transformation	-	-	-	-	-	-	-	-	-	-	-	-
Aids & Adaptations & DFGs	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total Majors & Improvements	84,498,522	12,106,119	8,834,500	7,791,109	7,769,509	7,769,509	7,769,509	7,553,509	6,266,689	6,212,689	6,212,689	6,212,689
Social Housing Development	16,529,354	8,199,918	4,832,864	2,431,573	1,065,000	-	-	-	-	-	-	-
Total ALMO HRA	101,027,876	20,306,037	13,667,364	10,222,682	8,834,509	7,769,509	7,769,509	7,553,509	6,266,689	6,212,689	6,212,689	6,212,689
Major Works	196,594,226	26,043,855	22,846,060	20,292,891	19,145,892	19,262,493	19,244,994	15,886,605	14,432,285	14,549,985	12,446,682	12,442,482
Fire Safety	10,399,600	3,967,100	2,585,500	1,507,500	507,500	291,000	291,000	250,000	250,000	250,000	250,000	250,000
Related Assets	5,068,000	50,000	400,000	400,000	580,000	580,000	580,000	558,000	480,000	480,000	480,000	480,000
Exceptional & Extensive	8,586,575	700,933	1,542,300	1,568,904	1,168,904	1,068,904	1,406,680	225,990	225,990	225,990	225,990	225,990
Vehicles	3,064,006	-	279,825	285,422	291,130	296,953	302,892	308,949	315,128	321,431	327,860	334,417
ICT & Transformation	95,138	95,138	-	-	-	-	-	-	-	-	-	-
Aids & Adaptations & DFGs	4,070,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000
Sub-Total Majors & Improvements	227,877,544	31,227,026	28,023,685	24,424,717	22,063,426	21,869,350	22,195,566	17,599,545	16,073,404	16,197,406	14,100,532	14,102,889
Social Housing Development	82,843,398	20,817,342	22,027,350	19,455,133	13,506,965	3,385,062	1,851,546	1,800,000	-	-	-	-
Total Combined HRA	310,720,943	52,044,368	50,051,035	43,879,849	35,570,391	25,254,412	24,047,112	19,399,545	16,073,404	16,197,406	14,100,532	14,102,889

PAPER B

Capital Financing of 10-Year Capital Programme

HRA Capital Programme	TOTAL CAPITAL FINANCING	Capital Grants	Capital Receipts	HRA Revenue Contribution	Major Repairs Reserve	Right To Buy (RTB) Capital Receipts	Borrowing
Major Works	117,009,014	5,097,200	-	-	71,801,420	-	40,110,394
Fire Safety	7,757,500	-	-	-	7,757,500	-	-
Related Assets	5,068,000	-	-	-	5,068,000	-	-
Exceptional & Extensive	6,315,365	-	-	-	1,800,000	-	4,515,365
Vehicles	3,064,006	-	-	-	3,064,006	-	-
ICT & Transformation	95,138	-	-	-	95,138	-	-
Aids & Adaptations & DFGs	4,070,000	-	-	-	4,070,000	-	-
Sub-Total Majors & Improvements	143,379,023	5,097,200	-	-	93,656,064	-	44,625,759
Social Housing Development	66,314,044	14,451,588	-	-	-	12,447,274	39,415,183
Total In-House HRA	209,693,067	19,548,788	-	-	93,656,064	12,447,274	84,040,941
Major Works	79,585,212	556,503	-	-	68,613,519	-	10,415,190
Fire Safety	2,642,100	-	-	-	2,642,100	-	-
Related Assets	0	-	-	-	-	-	-
Exceptional & Extensive	2,271,210	-	-	-	2,271,210	-	-
Vehicles	0	-	-	-	-	-	-
ICT & Transformation	0	-	-	-	-	-	-
Aids & Adaptations & DFGs	0	-	-	-	-	-	-
Sub-Total Majors & Improvements	84,498,522	556,503	-	-	73,526,829	-	10,415,190
Social Housing Development	16,529,354	3,044,382	-	-	-	2,960,521	10,524,451
Total ALMO HRA	101,027,876	3,600,885	-	-	73,526,829	2,960,521	20,939,641
Major Works	196,594,226	5,653,703	-	-	140,414,939	-	50,525,584
Fire Safety	10,399,600	-	-	-	10,399,600	-	-
Related Assets	5,068,000	-	-	-	5,068,000	-	-
Exceptional & Extensive	8,586,575	-	-	-	4,071,210	-	4,515,365
Vehicles	3,064,006	-	-	-	3,064,006	-	-
ICT & Transformation	95,138	-	-	-	95,138	-	-
Aids & Adaptations & DFGs	4,070,000	-	-	-	4,070,000	-	-
Sub-Total Majors & Improvements	227,877,544	5,653,703	-	-	167,182,893	-	55,040,948
Social Housing Development	82,843,398	17,495,970	-	-	-	15,407,794	49,939,634
Total Combined HRA	310,720,943	23,149,673	-	-	167,182,893	15,407,794	104,980,582

Paper B Appendix E: HRA Proposed Capital Budgets for 2024/25 and Capital Financing per Scheme

HRA Capital Programme	Proposed Returns	Proposed Supplements	Proposed New Schemes	Proposed Capital Budget 2024/25	Funded By						
					Capital Grants	Capital Receipts	HRA Revenue Contribution	Major Repairs Reserve	Right To Buy (RTB) Capital Receipts	Borrowing	Total
Major Works	-	-	14,511,360	14,511,360	3,500,000	-	-	9,679,397	-	1,331,963	14,511,360
Fire Safety	-	-	2,323,000	2,323,000	-	-	-	-	-	2,323,000	2,323,000
Related Assets	-	-	400,000	400,000	-	-	-	400,000	-	-	400,000
Exceptional & Extensive	-	-	1,305,000	1,305,000	-	-	-	300,000	-	1,005,000	1,305,000
Vehicles	-	-	279,825	279,825	-	-	-	-	-	279,825	279,825
ICT & Transformation	-	-	-	-	-	-	-	-	-	-	-
Aids & Adaptations & DFGs	-	-	370,000	370,000	-	-	-	370,000	-	-	370,000
Sub-Total Majors & Improvements	-	-	19,189,185	19,189,185	3,500,000	-	-	10,749,397	-	4,939,788	19,189,185
Social Housing Development	- 30,773,396	375,000	2,968,000	3,343,000	1,781,000	-	-	-	150,000	1,412,000	3,343,000
Total In-House HRA	- 30,773,396	375,000	22,157,185	22,532,185	5,281,000	-	-	10,749,397	150,000	6,351,788	22,532,185
Major Works	-	-	8,334,700	8,334,700	-	-	-	7,680,300	-	654,400	8,334,700
Fire Safety	-	-	262,500	262,500	-	-	-	262,500	-	-	262,500
Related Assets	-	-	-	-	-	-	-	-	-	-	-
Exceptional & Extensive	-	-	237,300	237,300	-	-	-	237,300	-	-	237,300
Vehicles	-	-	-	-	-	-	-	-	-	-	-
ICT & Transformation	-	-	-	-	-	-	-	-	-	-	-
Aids & Adaptations & DFGs	-	-	-	-	-	-	-	-	-	-	-
Sub-Total Majors & Improvements	-	-	8,834,500	8,834,500	-	-	-	8,180,100	-	654,400	8,834,500
Social Housing Development	- 1,450,000	656,760	3,555,430	4,212,190	279,932	-	-	-	1,046,172	2,886,086	4,212,190
Total ALMO HRA	- 1,450,000	656,760	12,389,930	13,046,690	279,932	-	-	8,180,100	1,046,172	3,540,486	13,046,690
Major Works	-	-	22,846,060	22,846,060	3,500,000	-	-	17,359,697	-	1,986,363	22,846,060
Fire Safety	-	-	2,585,500	2,585,500	-	-	-	262,500	-	2,323,000	2,585,500
Related Assets	-	-	400,000	400,000	-	-	-	400,000	-	-	400,000
Exceptional & Extensive	-	-	1,542,300	1,542,300	-	-	-	537,300	-	1,005,000	1,542,300
Vehicles	-	-	279,825	279,825	-	-	-	-	-	279,825	279,825
ICT & Transformation	-	-	-	-	-	-	-	-	-	-	-
Aids & Adaptations & DFGs	-	-	370,000	370,000	-	-	-	370,000	-	-	370,000
Sub-Total Majors & Improvements	-	-	28,023,685	28,023,685	3,500,000	-	-	18,929,497	-	5,594,188	28,023,685
Social Housing Development	- 32,223,396	1,031,760	6,523,430	7,555,190	2,060,932	-	-	-	1,196,172	4,298,086	7,555,190
Total Combined HRA	- 32,223,396	1,031,760	34,547,115	35,578,875	5,560,932	-	-	18,929,497	1,196,172	9,892,274	35,578,875

In-House Capital Programme	Proposed Returns	Proposed Supplements	Proposed New Schemes	Proposed Capital Budget 2024/25
Major Works	0	0	14,511,360	14,511,360
HRA C Major Repairs & Improvem			250,000	250,000
HRA C Kitchens			2,520,000	2,520,000
HRA C Bathrooms			504,500	504,500
HRA C Roofing			3,693,633	3,693,633
HRA C Windows			1,540,277	1,540,277
HRA C Heating Improvements			1,430,000	1,430,000
HRA C Doors			131,350	131,350
HRA C Door Entry Systems			285,000	285,000
HRA C Community Alarms			100,000	100,000
HRA C Insulation			1,201,500	1,201,500
HRA C Ventilation			100,000	100,000
HRA C Kitchen rep'd due to dam (voids)			300,000	300,000
HRA C Bathroom rep'd due to da (voids)			100,000	100,000
HRA C Underground Drainage			50,000	50,000
HRA C Environmental Improvemen			141,100	141,100
HRA C Electrical Testing			1,500,000	1,500,000
HRA C Sewerage Treatment Plant			100,000	100,000
HRA C Unadopted Areas			60,000	60,000
HRA C Water - Planned Maint			150,000	150,000
HRA C Radon Remediation			24,000	24,000
HRA C Water - Safety Compliance			35,000	35,000
HRA C Curtain Walling			-	-
HRA C Street Lighting Replacement			45,000	45,000
HRA Solar PV			250,000	250,000
Fire Safety	0	0	2,323,000	2,323,000
HRA C Fire Safety Works Commun			2,323,000	2,323,000
Related Assets	0	0	400,000	400,000
HRA C Meeting Halls			100,000	100,000
HRA C Garages			200,000	200,000
HRA C Shops			100,000	100,000
Exceptional & Extensive	0	0	1,305,000	1,305,000
HRA C Asbestos Works			300,000	300,000
HRA C North Taunton Phase E			85,000	85,000
HRA C Oake			900,000	900,000
HRA C Wordsworth Flats			20,000	20,000

Funded By						
Capital Grants	Capital Receipts	HRA Revenue Contribution	Major Repairs Reserve	Right To Buy (RTB) Capital Receipts	Borrowing	Total
3,500,000	0	0	9,679,397	0	1,331,963	14,511,360
			250,000		-	250,000
			1,188,037		1,331,963	2,520,000
			504,500		-	504,500
			3,693,633		-	3,693,633
1,000,000			540,277		-	1,540,277
900,000			530,000		-	1,430,000
90,000			41,350		-	131,350
-			285,000		-	285,000
-			100,000		-	100,000
1,180,000			21,500		-	1,201,500
80,000			20,000		-	100,000
-			300,000		-	300,000
-			100,000		-	100,000
-			50,000		-	50,000
-			141,100		-	141,100
-			1,500,000		-	1,500,000
-			100,000		-	100,000
-			60,000		-	60,000
-			150,000		-	150,000
-			24,000		-	24,000
-			35,000		-	35,000
-			-		-	-
-			45,000		-	45,000
250,000			-		-	250,000
			-			
0	0	0	0	0	2,323,000	2,323,000
			-		2,323,000	2,323,000
			-			
0	0	0	400,000	0	0	400,000
			100,000		-	100,000
			200,000		-	200,000
			100,000		-	100,000
			-			
0	0	0	300,000	0	1,005,000	1,305,000
			300,000		-	300,000
					85,000	85,000
					900,000	900,000
					20,000	20,000
			-			

In-House Capital Programme	Proposed Returns	Proposed Supplements	Proposed New Schemes	Proposed Capital Budget 2024/25
Vehicles	0	0	279,825	279,825
HRA C Building Services Vehicle			279,825	279,825
ICT & Transformation	0	0	0	0
HRA C IT Development			-	-
HRA C Transformation			-	-
Aids & Adaptations & DFGs	0	0	370,000	370,000
HRA C Aids and Adaptations			70,000	70,000
HRA C DFGs			300,000	300,000
Social Housing Development Programme	(30,773,396)	375,000	2,968,000	3,343,000
HRA C North Taunton Phase D	- 20,274,207			-
HRA C Zero Carbon Affordable Homes	- 10,499,189			-
HRA C Oxford Inn		375,000		375,000
Rochester Road (8 units)			968,000	968,000
Step Down / Move On MMC Accommodation (16)			2,000,000	2,000,000




Funded By						
Capital Grants	Capital Receipts	HRA Revenue Contribution	Major Repairs Reserve	Right To Buy (RTB) Capital Receipts	Borrowing	Total
0	0	0	0	0	279,825	279,825
			-		279,825	279,825
			-			
0	0	0	0	0	0	0
			-		-	-
			-		-	-
			-			
0	0	0	370,000	0	0	370,000
			70,000		-	70,000
			300,000		-	300,000
1,781,000	0	0	0	150,000	1,412,000	3,343,000
						-
						-
				150,000	225,000	375,000
781,000				-	187,000	968,000
1,000,000				-	1,000,000	2,000,000

Homes In Sedgmoor Capital Programme	Proposed Returns	Proposed Supplements	Proposed New Schemes	Proposed Capital Budget 2024/25
A: Planned Programme driven by stock condition	0	0	3,954,900	3,954,900
Kitchens			1,266,300	1,266,300
Bathrooms			518,700	518,700
Roofs			808,500	808,500
Windows			450,500	450,500
Doors			249,400	249,400
Heating			661,500	661,500
			-	-
B: Other associated Decent Homes & H&S works	0	0	2,905,900	2,905,900
Asbestos - surveys & remedial			237,300	237,300
Professional Fees			105,000	105,000
Stock condition surveys			126,000	126,000
Major Voids			525,000	525,000
Fire Safety			157,500	157,500
Smoke, Heat Alarms, CO Detectors etc			105,000	105,000
Capital replacements arising from R&M			157,500	157,500
Fences - ad hoc			52,500	52,500
H&S External Works - ad hoc			52,500	52,500
Water Mains & drainage systems			105,000	105,000
Major works - ad hoc			52,500	52,500
EPC works (SAP C by 2030)			1,230,100	1,230,100
			-	-
C: Ongoing funding requirements	0	0	1,319,300	1,319,300
Great Estates works			525,000	525,000
Enhanced void works			210,000	210,000
Social Housing Decarbonising Fund Match Funding (SHDF Wave 2)			584,300	584,300
			-	-
Capital fees @ 8%			654,400	654,400
Social Housing Development Programme	- 1,450,000	656,760	3,555,430	4,212,190
Purchase of existing properties (not new build)	- 500,000			-
Tuckerton Lane, N Newton (6 homes)	- 950,000			-
Cricketers, Nether Stowey (16 homes)		656,760		656,760
Taunton Road			2,615,430	2,615,430
Bespoke Homes Phase 2			940,000	940,000

Funded By						
Capital Grants	Capital Receipts	HRA Revenue Contribution	Major Repairs Reserve	Right To Buy (RTB) Capital Receipts	Borrowing	Total
0	0	0	3,954,900	0	0	3,954,900
			1,266,300		-	1,266,300
			518,700		-	518,700
			808,500		-	808,500
			450,500		-	450,500
			249,400		-	249,400
			661,500		-	661,500
0	0	0	2,905,900	0	0	2,905,900
			237,300		-	237,300
			105,000		-	105,000
			126,000		-	126,000
			525,000		-	525,000
			157,500		-	157,500
			105,000		-	105,000
			157,500		-	157,500
			52,500		-	52,500
			52,500		-	52,500
			105,000		-	105,000
			52,500		-	52,500
			1,230,100		-	1,230,100
0	0	0	1,319,300	0	0	1,319,300
			525,000		-	525,000
			210,000		-	210,000
			584,300		-	584,300
					654,400	654,400
279,932	-	-	-	1,046,172	2,886,086	4,212,190
					-	-
					-	-
					656,760	656,760
				1,046,172	1,569,258	2,615,430
279,932					660,068	940,000

Somerset Equality Impact Assessment

Before completing this EIA please ensure you have read the EIA guidance notes – available from your Equality Officer or www.somerset.gov.uk/impactassessment

Organisation prepared for (mark as appropriate)	 Somerset Council		 NHS Somerset		 NHS Somerset NHS Foundation Trust	
Version	1.0		Date Completed	17/1/24		
Description of what is being impact assessed						
<p>Rent Setting and Service Charges for Somerset Council social housing for 2024/25 – ie the annual uplift in rent and service charges for 2024/25.</p> <p>Rent setting for 2024/25 is calculated in accordance with the Regulator of Social Housing's Consumer Standards - The Rent Standard (April 2020) and the Government's Policy Statement on Rents for Social Housing 2019 (Rent Policy Statement) thereafter.</p> <p>Housing rents ensure continued investment in the management, maintenance and development of council owned homes and other assets held within the Housing Revenue Account so that the needs of existing and potential future tenants are met and can provide enhanced support for families and communities experiencing hardship.</p> <p>The proposed rent and service charge increases are in line with government rent setting policy and the Policy agreed by Somerset Council Executive 14/12/2022.</p>						
Evidence						
<p>What data/information have you used to assess how this policy/service might impact on protected groups? Sources such as the Office of National Statistics, Somerset Intelligence Partnership, Somerset's Joint Strategic Needs Analysis (JSNA), Staff and/ or area profiles,, should be detailed here</p>						

An Impact Assessment was done when the Policy was adopted by Somerset Council 14/12/2022 which approved the increases proposed in the policy in line with the governments rent standard.

When setting rents the Council must comply with the Government’s updated Rent Standard. On 25 February 2019 the Government confirmed that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020/21 to 2025/26, as per the 2019 Rent Standard. Although they updated this last year and capped this at 7%, they have removed this cap for 2024/25 and therefore the basis for the rent and service charge increases will be at CPI+1%, ie 7.6%.

Tenant profiling data (SC tenants and Homes in Sedgemoor tenants)

Who have you consulted with to assess possible impact on protected groups and what have they told you? If you have not consulted other people, please explain why?

This report has been consulted on with the representative body of Somerset Council Tenants (the Tenants Strategic Group) and the Housing Board which includes tenant representation for Homes in Sedgemoor.

Analysis of impact on protected groups

The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.

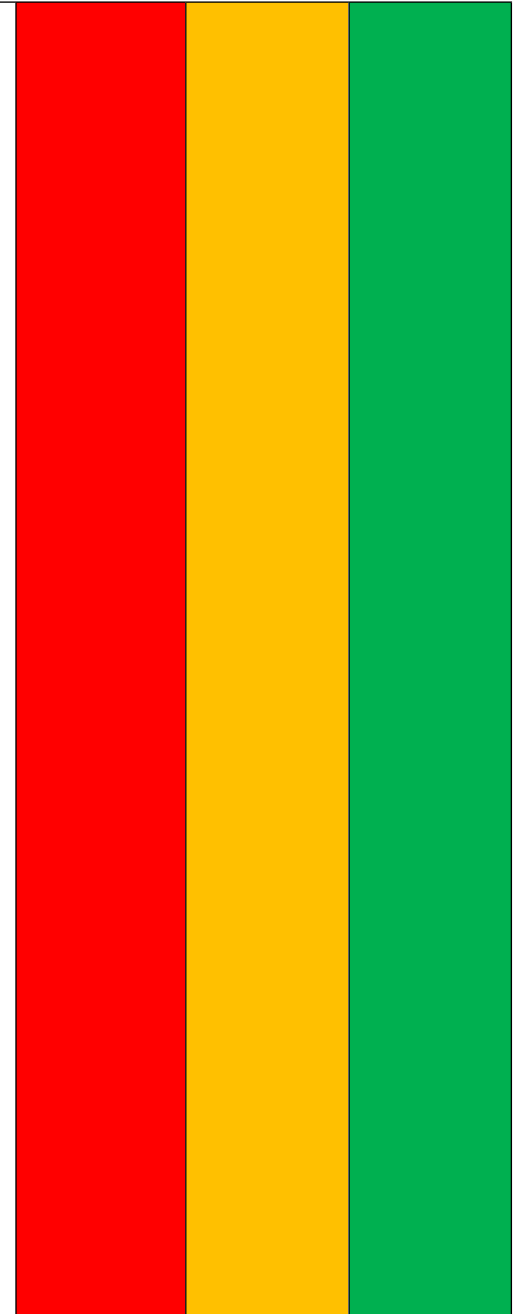
Protected group	Summary of impact	Negative outcome	Neutral outcome	Positive outcome
<p>Summary</p>	<p>Every year the housing service reviews rents. This takes into account inflation and any other financial factors in order to ensure there is enough income to deliver services. When doing so the housing service must observe government legislation and guidance. Increasing rent does put financial strain on tenants (those whose rent is not covered by benefits) – however this does not adversely affect any protected group worse than a tenant without a protected characteristic. The cost rise to</p>			

tenants is marginally above inflation and is required to ensure the housing service can continue to deliver services for tenants and provide support. Rental income will finance the continued investment in maintaining our existing homes, other assets and neighbourhoods to a high standard with a comprehensive 30 Year HRA Business plan that sets out a planned programme of capital expenditure, adaptations and routine repairs. The rental income will also enable the housing service to continue providing and improve upon the strong community support offered to tenants providing them with additional support to sustain individual tenancies as well as investing in a range of community based projects and groups.

It could be argued that a group such as those with a disability may experience greater challenges to access services based on a lower average income than non-disabled people and therefore may be disproportionately adversely affected by any rent and service charge rise.

However, all people on low incomes will (if they fulfil the conditions) qualify for housing benefit, universal credit or pension credit and will therefore be protected from significant negative financial impacts of both the rent and service charges (which are eligible for benefits).

In addition, people who have difficulties with daily activities and or mobility problems may qualify for other benefits (e.g Disability Living Allowance or its replacement Personal Independence Payment). It is understood there may be an increase in the level of rent arrears due to the transition to Universal Credit, however this risk is being mitigated by the housing service working closely with Citizens Advice to provide advice and support services to Universal Credit claimants. The in-house team has a dedicated team of officers who provide early intervention to support tenants to sustain their tenancy and where necessary assist them to maximise their entitlement to welfare benefits – more than half of our tenants are in receipt of full or partial help with paying their housing costs i.e. housing benefit or universal credit. The HRA business plan makes provision for an amount of bad debt.



PAPER B

<p>Age</p>	<p>43% of Homes in Sedgemoor tenants and 30% of SC directly managed tenants are aged over 60. All tenants will benefit from the overall investment in council housing. No group is discriminated against in the allocation of council housing. All groups benefit equally. Additional housing supply is addressed through new development (afforded from the rent) will provide an increased choice of affordable homes, size and tenure, providing housing options for all age groups. Improvements in energy efficiency will help to protect tenants, whatever their age or the hardships they experience, from fuel poverty. Over 50% of tenants are in receipt of help with housing costs i.e. Housing Benefit or Universal Credit. However for those in Sheltered Housing this percentage increases considerably</p>	<p style="text-align: center;">□</p>	<p style="text-align: center;">⊗</p>	<p style="text-align: center;">□</p>
<p>Disability</p>	<p>Approximately 27% of SWT (35% in Sedgemoor) current tenants have declared that either they or the other person on the tenancy has a disability. The types of disability declared include for example: dementia, hearing, mobility, visual etc. Again, it could be argued disabled adults are more likely to be living as a low income household. Additionally, disabled people are more likely to not be working and where they are working, are more likely to be earning less than non-disabled people. It is evident therefore that an increase in rent is likely to specifically impact this protected characteristic. However, our proposed rent increase is only marginally above inflation and the welfare benefit system should be able to protect people. We provide advice, help and support via our specialist officers and through working with Citizens Advice. We also fund MIND to provide mental health support to our tenants and the levels of rent allow us to fund this. We are therefore assessing any impact as low. Tenants will benefit from the overall financial investment in council housing. Ongoing investment in disabled facilities adaptations and other minor adaptations will continue.</p>	<p style="text-align: center;">□</p>	<p style="text-align: center;">⊗</p>	<p style="text-align: center;">□</p>

<p>Gender reassignment</p>	<p>Tenants will benefit from the overall investment in council housing. Investment in our communities will ensure information about our services is accessible so that people can benefit from all our activities.</p> <p>Tenants experiencing alarm, distress and harassment will benefit from investment being made into providing great customer services which will be community inclusive.</p> <ul style="list-style-type: none"> There is not expected to be any particular negative impact on this specific group 	□	⊗	□															
<p>Marriage and civil partnership</p>	<ul style="list-style-type: none"> Tenants will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group. 	□	⊗	□															
<p>Pregnancy and maternity</p>	<p>Tenants will benefit from the overall investment in council housing.</p> <p>Within the business plan there is potential for investment in better quality and additional family housing.</p> <ul style="list-style-type: none"> There is not expected to be any particular negative impact on this specific group. 	□	⊗	□															
<p>Race and ethnicity</p>	<p>The table below provides information on the number of council tenants by ethnicity:</p> <table border="1" data-bbox="562 1134 1561 1337"> <thead> <tr> <th>Ethnic Background</th> <th>SC direct managed</th> <th>HiS</th> </tr> </thead> <tbody> <tr> <td>White British</td> <td>68%</td> <td>72%</td> </tr> <tr> <td>BME</td> <td>1%</td> <td>1%</td> </tr> <tr> <td>No data provided</td> <td>1%</td> <td>3%</td> </tr> <tr> <td>Other</td> <td>30%</td> <td>24%</td> </tr> </tbody> </table> <p>Tenants will benefit from the overall investment in council housing.</p>	Ethnic Background	SC direct managed	HiS	White British	68%	72%	BME	1%	1%	No data provided	1%	3%	Other	30%	24%	□	⊗	□
Ethnic Background	SC direct managed	HiS																	
White British	68%	72%																	
BME	1%	1%																	
No data provided	1%	3%																	
Other	30%	24%																	

PAPER B

	Wider tenant participation and engagement and improved Communications (both part of our plans for 2024/25) will increase the proportion of tenants providing feedback to inform service improvements.			
Religion or belief	<p>Tenants will benefit from the overall investment in council housing. Developing and supporting staff to provide great customer service will ensure appropriate and sensitive services are delivered to the religious or belief requirements of tenants.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>	☐	⊗	☐
Sex	<p>Tenants will benefit from the overall investment in council housing.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>	☐	⊗	☐
Sexual orientation	<p>Tenants will benefit from the overall investment in council housing. Investment in our communities will ensure information about our services is accessible so that people can benefit from all our activities.</p> <p>Tenants experiencing alarm, distress and harassment will benefit from investment being made into providing great customer services which will be community inclusive.</p> <p>There is not expected to be any particular negative impact on this specific group</p>	☐	⊗	☐
Armed Forces (including serving personnel, families and veterans)	This group is recognised within the existing Homefinder Somerset Policy which provides additional weighting in terms of Homefinder banding which therefore increases the likelihood over an average citizen of being successful on the Homefinder system for social	☐	⊗	☐

	<p>housing. This applies to all landlords in Somerset (of which council owned stock is one).</p> <p>There is not expected to be any particular negative impact on this specific group</p>			
<p>Other, e.g. carers, low income, rurality/isolation, etc.</p>	<p>Property lettings will be allocated via the choice based lettings system - Homefinder Somerset, which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</p> <p>The increase to rent will be applied across our domestic dwelling housing stock. This increase will have a mostly neutral effect on protected groups. The cost rise to tenants is only marginally above inflation and will enable the council to continue to provide an excellent range of services.</p> <p>To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income:</p> <ul style="list-style-type: none"> • Publish clear information on rent which helps tenants to manage their own finances; • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity for tenants to access direct support to check they are in receipt of the welfare benefits they are entitled to claim. 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Negative outcomes action plan

Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>

PAPER B

	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>

If negative impacts remain, please provide an explanation below.

Completed by:	Simon Lewis
Date	17/11/23
Signed off by:	
Date	
Equality Lead sign off name:	
Equality Lead sign off date:	
To be reviewed by: (officer name)	
Review date:	

Somerset Council



Full Council

20 February 2024

2024/25 General Fund Revenue Budget and Medium-Term Financial Plan

Executive Member(s): Councillor - Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan - Executive Director – Resources & Corporate Services (s.151 Officer)

Author: Jason Vaughan - Executive Director – Resources & Corporate Services (s.151 Officer) & Nicola Hix - Director of Finance & Performance

Contact Details: Jason.Vaughan@Somerset.gov.uk Nicola.Hix@somerset.gov.uk

Summary

1. To set out for the Executive consideration and recommendation to Council the proposed revenue budget for 2024/25 and council tax based on implementing the Financial Strategy and avoiding a section 114 notice.
2. In November 2023, the Council declared a **'Financial Emergency'** which introduced significant local financial controls and moved the council to operating as if a section 114 notice had been issued and external commissioners appointed.
3. The Financial Strategy was approved by the Executive in July 2023 and updated in the light of the 'Financial Emergency' has been focused upon avoiding a section 114 notice by taking the following actions:
 - Reducing the current year's overspend,
 - Reviewing and reducing budget pressures,
 - Identifying further saving options,
 - Reducing the capital programme and bids for new schemes,
 - Maximising funding & income to the council,
 - Generating capital receipts from asset disposals,
 - Disposing of commercial investments,
 - Completing the outstanding statement of accounts from the five predecessor councils,
 - Reviewing Earmarked Reserves and repurposing them to support the budget,

- 'Resizing' of the organisation (workforce transformation) to enable it to become financially sustainable in the future, and
 - Working with the Department for Levelling Up, Housing and Communities (DLUHC) on a capitalisation direction.
4. Somerset Council is a new unitary council, created less than one year ago and faces a very stark and challenging financial position. The scale of the financial challenge is significant and based upon the latest estimates of costs and income, with the forecast budget gap predicted to increase to £147.9m in 2026/27 at the end of the MTFP period if no further savings are identified. Despite making substantial savings, disposing of asset, using available reserves, and increasing Council Tax, the Council is unable to close the budget gap for 2024/25.
 5. It is very clear that under the current financing model for local government the Council is not financially sustainable and that urgent reform of the funding mechanism for local government is required. Significant and on-going financial support from Government will be required due to the cost of delivering services increasing significantly faster than the income the council receives particularly in relation to social care. Without Government support the Council will have no choice other than to issue a section 114 notice in 2024/25.
 6. The potential to increase Council Tax above referendum limits has been permitted in 2023/24 for Thurrock (10%), Slough (10%) and Croydon (15%) and 10% for 2024/25 in Woking, Slough and Thurrock. Allowing this would bring Somerset's Council Tax charge closer to the average of all Unitary Councils, although it would still be a lot lower than others in the region such as Dorset and Cornwall, and still significantly below the English average charge. The advantage of increasing Council Tax is that the Council gains the benefit of the increase on an ongoing basis. The vulnerable will be protected from the increase through the recently approved Council Tax Reduction and Hardship schemes which will increase by 6.7% for 2024/25, in line with the rise in state benefits announced in the Autumn Statement.
 7. The Council has requested Exceptional Financial Support from DLUHC in the form of a capitalisation direction and the option to increase council tax by an additional 5%. The finance settlement for local government confirmed that the request for an 5% on council tax was not agreed by government, meaning that the budget gap can now only be closed by a capitalisation direction. A capitalisation direction requires approval by government and the in-principle decision is expected late February / early March with the final confirmation towards the end of March.

8. The capitalisation direction does not provide additional funding but allows the relaxation of accounting guidance enabling revenue costs to be funded from capital. This means the authority can borrow or use capital receipts to fund these costs. This will not solve the budget gap on an on-going basis, it is simply a mechanism that provides the Council time to radically change and develop sustainable solutions. If a capitalisation direction is not financed from capital receipts it will add to the financial pressures, with borrowing from the Public Works Loan Board (PWLB) attracting a premium of 1% over the standard rate. The additional borrowing will need to be repaid over a 20-year period from 2025/26.
9. The Council cannot continue to provide and operate services in their current format and rapid, radical, change is required if it is to become financially sustainable. To address this, the Council is developing a Transformation Programme to deliver our vision for the council to be a smaller, leaner council, employing fewer people, requiring fewer offices, focusing only on the unique value the authority can provide. The significant reduction in the workforce should deliver on-going savings of £20m to £30m for 2025/26 (in addition to those in the Local Government Reorganisation Business Case). The one-off costs of this are estimated to be in the region of £40m and a capitalisation direction for this has been requested from DLUHC. Further work is being undertaken to assess if some of these costs can be funded from the capital receipts using the flexible use of capital receipts policy.

Recommendations

10. That Full Council:

Revenue Budget

- a. Note the conclusions of the Council's Section 151 Officer (Chief Finance Officer) in his Section 25 report confirming the robustness of the budget estimates and the adequacy of the level of reserves for 2024/25 and his warning about the 2025/26 financial year.
- b. Approves the additional funding for pressures requirements set out in **Appendix 6**.
- c. Approves the savings and income generation plans outlined in **Appendix 7**, considering the detailed Equalities Impact Assessments
- d. Notes the MTFP Cumulative Impact Assessment in **Appendix 15**
- e. Approves the General Fund net revenue budget for 2024/25 of £601.775m and the individual service budgets for 2024/25 as outlined in **Appendix 2**.

- f. Notes that in order to balance the 2024/25 budget, that revenue spend will be capitalised in accordance with the Capitalisation Directive from DLUHC of £36.9m
- g. The delegation of any amendments within the final Government Financial Settlement and the final Business Rates amendments to the Executive Director of Resources and Corporate Services (Section 151 Officer) in consultation with the Leader of the Council.

Reserves

- h. Notes that the level of General Reserves is maintained within the risk-based assessment range of £30m minimum to £60m maximum level.
- i. Approves that £36.8m from the Medium-Term Financial Plan Support Reserve is used to help balance the 2024/25 budget.
- j. Notes the overall estimated position of Earmarked Reserves outlined in **Table 14** and the proposed use of reserves detailed in **Appendix 10** which includes the estimated use of Earmarked Reserves during the year.

Dedicated Schools Grant (DSG)

- k. Note the forecast spending on the Dedicated Schools Grant is forecast to exceed the funding provided by government by £23.4m in 2024/25 and is projected to reach a cumulative deficit of £96.2m by 31 March 2026.
- l. Notes the overall Dedicated Schools Grant allocation of £533.3m for 2024/25 and breakdown by block as set out in **Appendix 12**.

Council Tax

- m. Approves the calculations for determining the Council Tax requirement for the year 2024/25 in accordance with the Local Government Finance Act 1992 as set out in the Council Tax Resolution in **Appendix 16**.
- n. Agree to continue the Council Tax precept of £14.65, included in the overall band D Council Tax for the shadow Somerset Rivers Authority (representing no increase). This results in a Council Tax Requirement of £3,058,900 for the Somerset Rivers Authority.
- o. Approves the Council increase the Council Tax for a band D property for Somerset Council, including the Somerset Rivers Authority Precept, by £82.14 for 2024/25, giving a band D Council Tax of £1,728.18 per year,
 - i. The general band D Council Tax by 2.99%, £49.22, the maximum permitted without a referendum; and

ii. The Adult Social Care Precept by 2.00%, £32.92.

- p. Approves a Special Expenses rate of £230,977 as detailed in **Appendix 5**.
- q. Approves the precept requirement of £361,071,003 (including Special Expenses Rate) £360,840,026 (excluding Special Expenses Rates).
- r. Approves the formal Council Tax resolution, in **Appendix 16a**, which incorporates the precepts of all the precepting bodies.

	2023/24 £	2024/25 £	Increase %
Somerset Council	1,449.58	1,498.80	4.99
Somerset Council – Social Care	196.46	229.38	
Police and Crime Commissioner	266.20	279.20	4.88
Devon and Somerset Fire Authority	96.79	99.68	2.99
Sub-Total	2,009.03	2,107.06	4.88
Special Expenses Average	1.07	1.11	3.74
City, Town and Parish Council (average)	105.99	158.86	49.88
Total	2,116.09	2,267.03	7.13

Reasons for recommendations

11. To ensure that the Council can set a balanced budget for 2024/25 and meet its statutory duties.

Other options considered

12. As this is an update report on progress in reducing the forecast budget gap for 2024/25 there are no other options considered.

Links to Council Plan and Medium-Term Financial Plan

13. It is important the Council considers how best it can continue to meet its policy objectives within the tighter financial constraints that it now faces. This requires a level of prioritisation, and the budget plans focus on the following key policy outcomes, as set out in the Council's vision.
- A Healthy and Caring Somerset
 - A Flourishing and Resilient Somerset
 - A Greener, More Sustainable Somerset
 - A Fairer, Ambitious Somerset

Financial and Risk Implications

14. It is clear that the scale of financial challenges facing the Council are significant with the forecast cost of services increasing at a faster rate than the income received. There is a separate Appendix to the Budget Report setting out the Strategic Risks associated with the 2024/25 Budget proposals.
15. The financial impact of a forecast year-end overspend of £17.5m (as at month 9) in the current financial year will result in a reduction in the level of General Reserves from £49.8m to £32.3m. This remains above the £30m minimum risk-based assessment of the reserves approved by Council in February 2023.
16. The 2024/25 budget cannot be balanced without Exceptional Financial Support from DLUHC. A request for an additional 5% increase in Council Tax which would have generated £17.1m in 2024/25 was not approved by DLUHC. This has the impact of increasing the required capitalisation direction necessary to balance the 2024/25 budget and adversely impacting upon the budget gap for 2025/26 with it being increased from £85.8m to £103.9m. It also means that further asset disposal are required to generate capital receipts to fund the capitalisation direction rather than being used to fund transformation, capital schemes or reduce debt.
17. The 2024/25 Budget proposals includes using £36.8m in the MTFP Support Reserve plus a further net £1.8m to support specific projects. There are other expected draws from reserves during the year which have been factored into the forecast and they will be reported as part of the monthly budget monitoring reports for approval from Executive. The budget report sets out that the total reserves are forecast to drop from £316.0m at 31 March 2023 to £104.9m by the end of the 2024/25 financial year. General Reserves are forecast to be £32.3m and Earmarked Reserves to be £72.5m which include £31.7m of Other reserves, which mainly relates to other bodies for which the Council is the accountable body.
18. The deficit on the Dedicated Schools Grant is estimated to reach £98.2m at the end of 2025/26 when the current statutory override is due to end and would need to be offset against Council reserves. A new deficit management plan is being developed to address this.
19. The Medium-Term Financial Forecast has identified a budget gap of just under £200m over the next 5 years with costs increasing at a faster rate than income particularly in relation to Adults and Children's social care.
20. Given the issues set out on this report and despite all of the actions taken and mitigations put in place, the risk score on Strategic Risk ORG0057 – Sustainable MTFP remains at 25 the highest risk score possible.

Likelihood	5	Impact	5	Risk Score	25
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21. It is likely that a Section 114 notice will need to be issued in respect of 2025/26 as the forecast budget gap exceeds the estimated level of reserves unless there is a significant change to the current funding regime or continued and on-going government support is provided.

Legal Implications

22. Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their Council Tax requirements in accordance with the prescribed requirements of that section. The function of setting the Council Tax is the responsibility of Full Council. The function of preparing estimates and calculations for submission to Full Council is the responsibility of the Executive. The Council is required by the 1992 Act to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget to ensure proper discharge of the Council's statutory duties and to lead to a balanced budget. The budget should include sufficient allowances for contingencies and financial reserves.
23. Local authorities owe a fiduciary duty to Council taxpayers, which means it must consider the prudent use of resources in the short and long term, including control of expenditure, the need to strike a fair balance between the interests of Council taxpayers and the community's interest in adequate and efficient services, and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.
24. Section 25 of the Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance (Section 151) Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored.
25. Section 114 of the Local Government Finance Act 1988 outlines the duties of the chief finance officer of a relevant authority. The chief finance officer is required to make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

26. The Local Authorities (Functions & Responsibilities) (England) Regulations 2000 (as amended) set out the respective functions of Council and of the Executive. With regard to the setting of the budget and Council Tax for the forthcoming year, the Regulations provide that the Executive formulates the plan or strategy (in relation to the control of the Council's borrowing or capital expenditure) and the preparation of estimates of the amounts to be aggregated in making the calculations under Section 32 of the 1992 Act. However, the adoption of any such plan or strategy/calculations is the responsibility of Full Council.
27. Full Council is responsible for setting the overall budget framework. However, some of the proposed savings will be subject to further analysis and decision making and as such the savings are an estimate. Individual service decisions will be subject to officer or Executive approval. This will take account of the statutory framework, any requirement to consult and consideration of overarching duties, such as the public sector equality duty. A contingency has been set aside to deal with a risk that when Executive considers these proposals it does not agree that the savings can be met within the specific statutory framework. In an extreme case, the Executive may have to refer the budget to Full Council to reconsider the overall budget framework.
28. The Local Government Act 2003 and associated regulations set out rules in relation to use of capital reserves. Section 15 requires local authorities to have regard to relevant statutory guidance. The statutory guidance on flexible use of capital receipts confirms that local authorities cannot borrow to finance service delivery, however, they can use capital receipts from sale of assets to finance the revenue costs of reforming services. The guidance states that qualifying expenditure is expenditure on a project that is designed to generate ongoing revenue savings in the delivery of public services or transform service delivery in a way that reduces costs or demand for services in future years. The Council is expected to publish an annual Flexible Use of Capital Receipts Strategy, although this can be included in wider strategy documents.
29. In accordance with section 106 of the Local Government Finance Act 1992 where a payment of Council Tax that a member is liable to make has been outstanding for two months or more at the time of a meeting, the Member must disclose the fact of their arrears (though they are not required to declare the amount) and cannot vote on any of the following matters if they are the subject of consideration at a meeting:
- Any decision relating to the administration or enforcement of Council Tax,
 - Any budget calculation required by the Local Government Finance Act 1992 underlying the setting of the Council Tax, and

- The contents of this report are, and the decisions taken on it will be, matters which might affect the making of the Annual Budget calculation.

HR Implications

30. A number of the potential savings proposals will have staff implications and the approved HR processes and policies will be followed.

Other Implications:

Equalities Implications

31. The impact of setting a budget will have specific implications on those protected under the Equality Act 2010. The Council's budget planning framework is supported by the development of Equality Impact Assessments (EIAs) for the budget proposals, identifying possible disproportionate impact in relation to the protected characteristics as described within the Equality Act 2010. The EIAs will also identify potential mitigation where applicable. Individual equality impact assessments form part of the decision making on the specific proposals needed to balance the budget in February 2024.

Community Safety Implications

32. There are no direct community safety implications arising from this report. Any specific community safety implications will be identified within the supporting information for proposals being considered by Scrutiny, Executive and Full Council in February 2024.

Climate Change and Sustainability Implications

33. There are no direct climate change and sustainability implications arising from this report. Any specific climate change implications will be identified within the supporting information for proposals being considered by Scrutiny, Executive and Full Council in February 2024.

Health and Safety Implications

34. There are no direct health and safety implications arising from this report. Any specific health and safety implications will be identified within the supporting information for proposals being considered by Scrutiny, Executive and Full Council in February 2024.

Health and Wellbeing Implications

35. There are no direct health and wellbeing implications arising from this report. Any specific health and well-being implications will be identified within the supporting information for proposals being considered by Scrutiny, Executive and Full Council in February 2024.

Social Value

36. There are no direct Social Value implications arising from this report. Any specific social value implications will be identified within the supporting information for included as part of the proposals being considered by Scrutiny, Executive and Full Council in February 2024.

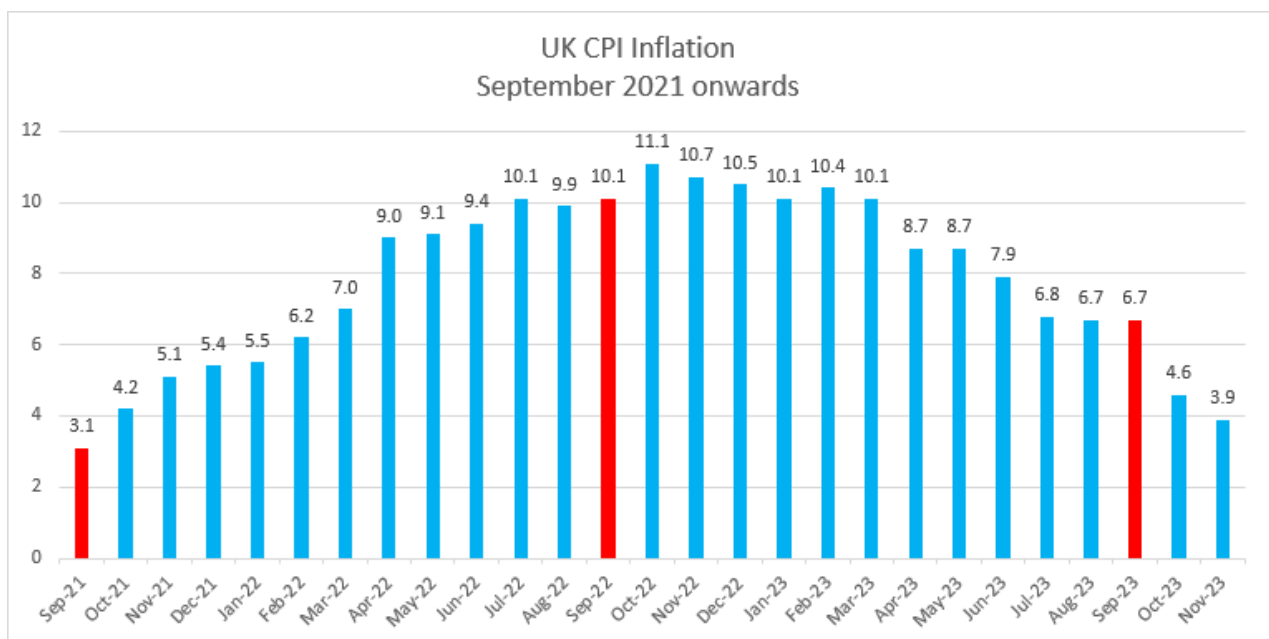
Background

37. The 2023/24 Budget was the first for the new Somerset Council and brought together the budgets from the five predecessor councils. Every new unitary council has identified issues during its first year and Somerset is no different. All of the predecessor councils recorded budgets in slightly different ways, and it has become apparent that there are some areas where one-off sources of funding have been used to finance on-going expenditure, some items were not properly budgeted for, longer term investments were funded from short-term borrowing and there was additional staffing employed over and above the staffing establishment budget.
38. The 2024/25 to 2026/27 Medium-Term Financial Strategy (MTFS) was approved in July 2023 and provides a strategic financial framework and a forward-looking approach to achieving financial sustainability for the Council. The financial forecast has been updated and reported to the November Executive and it set out that the estimated budget gap for 2024/25 assumed in the report to February Full Council had increased from £42m to £100m. As a result of this the Council declared a 'financial emergency' and put in place a range of measures to address both the current year's projected overspend and the forecast budget gap for 2024/25 and future years.
39. The Annual Audit Report from Grant Thornton in respect of 4 of the 5 predecessor councils was considered at Audit Committee on 25 January 2024. It highlights a number of issues that will need to be addressed by Somerset Council and the report will be considered by Council at its February meeting. EY will be producing their report on Mendip DC by March 2024.

Current Context

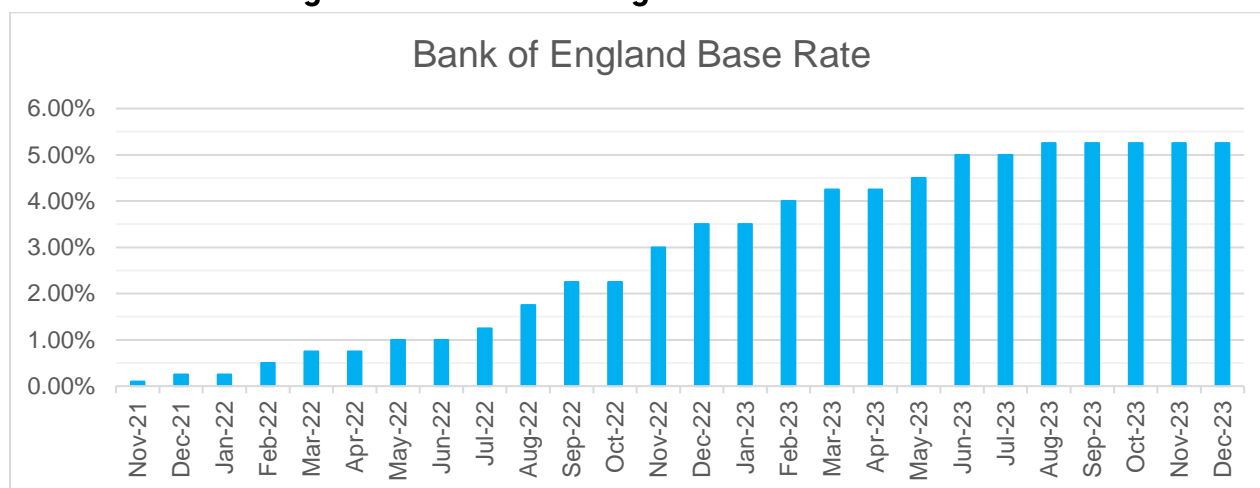
40. The Council’s finances have been significantly impacted by national factors outside of its control such as inflation and interest rates, as well as having to deal with the challenges of Local Government Reorganisation and bringing the five predecessor councils into one new organisation.
41. The LGR business case set out that £18.5m of on-going savings would be achieved with the costs of implementation being £16.5m. The non-staffing savings of £6.2m have largely been delivered in the current year or will be in 2024/25. Saving from staffing made up the majority of the savings with an expected reduction of 339 posts, delivering £2.9m of senior management savings and £9.4m from staff savings across the services. To date, £2.6m of on-going senior management savings (29 posts at Tiers 1 to 3) have been achieved which was reported to Council in July 2023 and Tier Four appointments were made in the last quarter of 2023 with the resulting redundancies being reported to Council in December 2023. The other staff savings were profiled as being £1m in current year, £4m in 2024/25 and £4.4m in 2025/26.
42. Inflation peaked at a 40-year high with the Consumer Price Index (CPI) rising to 11.1% in October 2022, although this is now starting to decrease, to 4.2% in December 2023. The September 2023 CPI of 6.7% is key as these are used by Government for increases in pensions, business rates etc.

Chart 1: CPI Inflation September 2021 to October 2023



43. These inflationary increases adversely impact upon the Council and the costs of the services which it provides. This is particularly evident in the care sector where cost increases have been significantly above the CPI inflation levels. The Chancellor has announced that the national living wage will increase by 9.8% from April 2024 and the national staff pay award for 2023/24 has now been agreed at £1,925 pro rata, which is estimated to be equivalent to a 6.1% increase in the pay bill for the Council.
44. To bring inflation under control the Bank of England has been increasing interest rates, with rates rising from 0.1% in November 2021 to the current rate of 5.25%. The Council is a net borrower and inherited a position of significant amount of short-term borrowing on 01 April 2023 of over £200m, with each 1% increase interest rates having a financial impact of £2m per annum.

Chart 2: Bank of England Base Rate changes



2023/24 Budget

45. In June 2023, the monthly budget monitoring process flagged up a potential overspend of £28.6m (5.3%) for the current financial year. If not addressed this would see General Reserves reduced from their current level £49.8m to £21.2m. This would be below the minimum level of £30m.
46. Alongside the monthly reporting of the budget monitoring position to Scrutiny and the Executive, a number of daily and weekly control boards and panels have been established as the Council adopted an approach of operating as if a section 114 had been issued. The five boards and panels are:

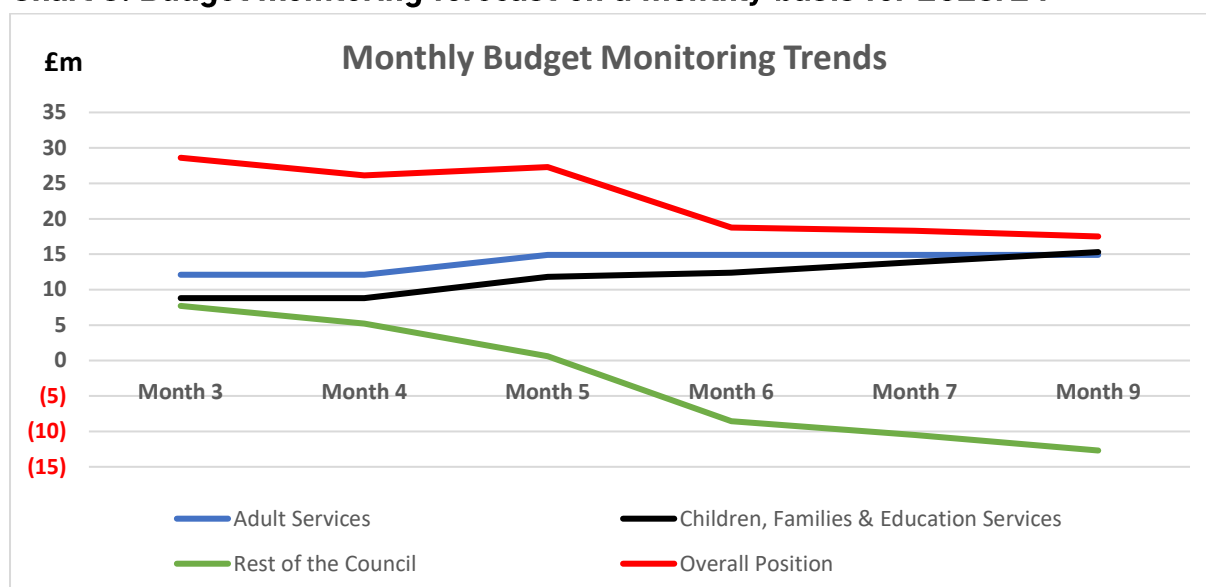
- Establishment & Recruitment Control Board - to assess all workforce requests and changes.
 - Commercial & Procurement Control Board – to review and challenge all new commissions, annual uplifts in contract and contract renewals.
 - Spend Control Board – ensuring that all purchases over £100 are reviewed and challenged to avoid any non-essential spend.
 - Adult Social Care Panel – to review and challenge placements.
 - Childrens Care Panels – various panels to review and challenge placements.
- The actions have seen the in-year forecast overspend reduce from £28.6m (5.3%) down to £17.5m (3.2%) by Month 9 as set in **Table 1**.

Table 1: Monthly budget monitoring forecast outturn for 2023/24

Service Area	Month 3 £m	Month 4 £m	Month 5 £m	Month 6 £m	Month 7 £m	Month 9 £m
Adult Services	12.1	12.1	14.9	14.9	14.9	14.9
Children, Families & Education Services	8.8	8.8	11.8	12.4	13.9	15.3
Total Adult and Children's	20.9	20.9	26.7	27.3	28.8	30.2
Community Services	-	-	-	1.3	-	(0.3)
Climate & Place	-	-	-	(5.3)	(5.4)	(7.0)
Strategy, Workforce & Localities	5.1	2.7	2.3	0.9	0.9	0.1
Resources & Corporate Services	1.5	1.5	1.3	(2.2)	(2.8)	(2.4)
Public Health	1.4	1.3	0.3	-	-	-
Non-Service	(0.5)	(0.5)	(3.5)	(3.6)	(3.5)	(3.5)
Corporate Contingency	-	-	-	-	-	-
Traded	0.2	0.2	0.2	0.3	0.3	0.4
Rest of the Council	7.7	5.2	0.6	(8.6)	(10.5)	(12.7)
Overall Forecast Overspend	28.6	26.1	27.3	18.7	18.3	17.5

47. Actions taken have seen the forecast overspend for the current year being reduced by £11.1m overall to £17.5m. However, the overall picture masks the underlying issue of both Adults and Childrens deteriorating positions. The month three report showed their combined forecast overspend at £20.9m, this has since increased to £30.2m in month nine. As a result of strong financial controls deployed to reduce the overall overspend the rest of the Council has seen a dramatic forecast reduction of £20.3m over the six months from a forecast overspend of £7.7m in month three to a forecast underspend of £12.6m in month nine.

Chart 3: Budget monitoring forecast on a monthly basis for 2023/24



2024/25 Budget Overview

48. The latest position shown in **table 1** summarises the changes from the current year's budget to the draft 2024/25 budget. It highlights that there is a significant increase in cost pressures for 2024/25 of £109.8m, which is an increase of 20% on the 2023/24 budget.
49. The 2024/25 budget proposals have been based upon following key assumptions:
- Adults – Demand increases, and significant increased placement costs pressures based upon the latest demand and cost modelling.
 - Childrens – Increases in external placement costs and special education needs and disabilities (SEND) transport updated for the latest demand modelling.
 - Funding – Based upon the provisional finance settlement received on 18 December 2023, and the further support for Local Authorities announced on 24 January 2024, increasing the Social Care Grant, the Funding Guarantee from 3% to 4% and the Rural Services Delivery Grant.
 - Business Rates - income based upon the NNDR1 return January 2024.
 - Council Tax – Modelled upon tax base increase of 1.52% incorporating a collection rate of 98%, 2% increase in the Adult Social Care precept, 2.99% for council and potential of a further 5% increase if allowed by DLUHC.
 - National Pay Award – Estimated at 4% for 2024/25 with the budget provision held centrally and allocated to the services once agreed.
 - Financing Costs – Reduction in investment income following reductions to reserves (£6.8m), increased interest rates on debt financing (£1.5m) and

additional MRP costs (£4.7m) based upon the new policy for Somerset Council which reflects the latest DLUHC guidance.

- Corporate Contingency – £6m based upon 1% of the net revenue budget.
50. Officers have been following a strategy to avoid a Section 114 notice by identifying all potential savings that could be delivered in 2024/25 which total £35.2m. £11.0m of the savings were previously approved and £24.2m of new saving options being put forward.
51. The delivery of the potential savings and other budget proposals will in some cases require consultation with service users, partners, staff and trade unions. Appropriate consultation and completion of Equalities Impact Assessments (EIAs) will be completed ahead of decisions being taken by either the Executive, Lead Members or Officers to implement the actual savings and budget proposals that form the basis of the Council’s approved budget for 2024/25. Some budget implementation decisions will be taken prior to 01 April 2024 and throughout 2024/25. The progress of these decisions will be monitored through the regular budget monitoring reports considered by the Executive and Scrutiny Committees.
52. The cumulative impact assessment is set out in **Appendix 15**.
53. Taking the proposed budget savings into account means the updated budget gap for 2024/25 is £81.3m. This gap can be reduced on a one-off basis by the use of £36.8m of reserves (agreed by Executive in December 2023), and £7.7m from the collection fund surpluses for Council Tax and Business Rates, reducing the gap for 2024/25 to £36.8m.

Table 2: Summary of changes from 2023/24 to 2024/25 budget

Changes to 2023/24 budget	£m
Reversals for once off items	19.9
Pressures	109.9
Savings	(35.0)
Changes to pay	13.8
Increase in financing costs	12.9
Increase in funding	(40.1)
Budget gap	81.4
One off items – to balance budget	
Use of Medium-Term Financial Plan Support Reserve	(36.8)
Council Tax Collection Fund surplus	(6.2)

Business Rates Collection Fund surplus	(1.5)
Remaining budget gap	36.9

54. The remaining gap can be bridged by requesting dispensations from DLUHC. These requests are based upon:
- Approval of an additional increase Council Tax by 5% in 2024/25 to bring Somerset's charges more in line with other unitary councils. This would generate an additional £17.1m per annum on an ongoing basis; and
 - Be granted a capitalisation direction for the balance of £19.5m, or, if the request to increase Council Tax by 9.99% is not granted by £36.8m.
55. DLUHC have confirmed through the finance settlement that they do not support any additional increase in council above the referendum limits. Therefore, the budget will be balanced by a Capitalisation Direction of £36.8m

Table 3: Option to close the budget gap for 2024/25

Remaining budget gap	2024/25 £m
Budget gap – January 2024	36.9
Exceptional Financial Support from DLUHC (Capitalisation Direction)	(36.9)
Balanced position	0.0

Consideration of the possible need to issue a Section 114 Report

56. A report issued under s114 (3) of the Local Government Finance Act 1988 is one made by a councils Chief Finance Officer (CFO) if in their opinion they believe that the expenditure to be incurred during a financial year is likely to exceed the available resources. It is considered good practice to consult the Chief Executive and Monitoring Officer before such a report is issued. A copy of the report must be sent to all councillors and the external auditor.
57. The report triggers a short-term statutory prohibition on entering into any new agreement which may involve the incurring of expenditure without the permission of the CFO. Statutorily the CFO can only consent to new agreements or to terminate existing agreements during this period if they will prevent the situation getting worse, improve the situation, or prevent a recurrence.

58. The report must be considered at a meeting of the Council within 21 days of the report being issued. At the meeting, the authority must decide if it agrees or disagrees with the views in the report and the actions it proposes to take. If Council cannot still agree a balanced budget position, then the authority is required to call in the external auditor who must then try to set a balanced budget.
59. In addition, the Government can intervene on how services are run by a council following the issuing of a s114 Report. Most councils in this situation have been the subject of such intervention via Commissioners or members of an intervention board who are usually experts with lengthy experience in local government. Ultimately, they have the power to direct a council over budgetary and other decisions.
60. This process has often been, mistakenly, likened a council declaring bankruptcy. In practice it is more like the process of a company entering administration in that core statutory services are maintained but the government will place commissioners in the Council to make the decisions that are needed to balance the budget, generally by cutting all non-statutory expenditure.

Department for Levelling Up, Housing & Communities (DLUHC)

61. The Council has been pro-active in writing to DLUHC outlining the financial challenges it faces and as result of this there have been several meetings with them. These meetings have covered the budget overspending in the current financial year as well as the 2024/25 budget gap and the financial position over the medium term. They have also helped to explain the context of being a new council and issues that it has inherited from the five predecessor councils.
62. Initial contact with DLUHC was made to back in September 2023 with a letter setting out the financial challenges that the Council faced. This was also shared with external and considered by the Audit Committee at their October 2023 meeting.
63. An application has been submitted to DLUHC for a capitalisation direction and there have been a number of meetings on 6 October 2023, 7 December 2023, 21 December 2023, 23 January 2024 and 5 February 2024. The final application is attached is attached at **Appendix 17**.
64. The letter from DLUHC 24 January 2024 is set out in **Appendix 13** confirms receipt of Somerset Council's request for Exceptional Financial Support (EFS). It says:

“You have set out your assessment of your position to the Department and reported financial pressures, particularly in relation to adults and children’s social care.

I can assure you that government will continue to work closely with Council officers to find a way forward, i.e. by supporting the Council to set a balanced budget for 2024/25.”

65. Since the receipt of the letter there has been a meeting between Simon Hoare MP, Minister for Local Government, the Leader of Council, and the Chief Executive on 31 January 2024.
66. Based upon the assurances provided, we can reasonably assume that the application for a capitalisation direction will be successful. Final confirmation from DLUHC is not expected to be received until the end of March which is after the 11 March date when the council must legally set its budget.

Risks, Assurance, External Validation & Reviews

67. The Council has two strategic risks associated with its finances: risk reference ORG0057, concerning a sustainable MTFP and ORG0070, being the risk of a budget overspend in the current financial year. In addition to these, there are also a number of other strategic risks that are associated with the budget. **Appendix 9** sets out the strategic risks associated with the budget.
68. A common feature of councils that have issued a section 114 notice has been the number of prior year external audits that have not been completed with issues. Therefore, a key area of activity for the finance team in the new Council has been around the completion of the 2022/23 statements of accounts for the five predecessor councils and dealing with the inherited position of outstanding external audits on their accounts from 2020/21 and 2021/22. This is particularly important, not only in understanding the opening position for the new Council, but also in providing independent external assurance around the finances. Good progress has been made on this, with all the 2020/21 and 2021/22 statement of accounts now signed off. All five of the 2022/23 statements of accounts have been published and three of these has been signed off by the external auditors with the remainder expected to be completed in March 2024.
69. There have been regular Member briefings on the Council’s finances which started in August 2023. These have since been held twice monthly and are open to all members. The briefings will continue through to February 2024 when the budget for

2024/25 is set to ensure that all members are up-to-date and aware of the financial challenges that the Council faces.

70. A number of external reviews have been carried out to help validate the overall budget and potential savings. These include:

- Adult Services commissioned Newton Europe to complete a transformation programme “*My Life, My Future*” following a diagnostic review in 2022. The programme is aimed at improving outcomes for older adults, those with learning difficulties and mental health needs by helping them stay within their own homes and encouraging independent community support. The programme is aimed at reducing costs by circa £14m per annum on an ongoing basis by reducing the number of residential placements.
- Children’s Services have commissioned Peopletoo to undertake a review of spend in Children’s Social Care to determine a plan for better outcomes at a reduced cost from using best practice.
- PDLB Financial Consultancy Ltd have undertake an independent review of the new Council’s balance sheet. Comparing it to statistical neighbours and highlighting whether particular issues need to be built into the 2024/25 budget or changes in practice made. This fulfils part of the recommendation in the report to the July 2023 Executive to undertake a financial resilience review. The report was presented to the Audit Committee on 25 January 2024.
- Peopletoo have undertake a review of third party spend, this work will highlight opportunities for ongoing savings and will be implemented later in the financial year.
- The Section 151 Officer commissioned Peopletoo to review the processes for collecting client contributions for elements of Adult Care services to determine that all income is being recovered. As a result of this review £3.4m of additional income has been identified and included as part of the budget proposals.

Funding for Councils & the Local Government Finance Settlement

71. The Autumn Statement delivered by the Chancellor on 22 November 2023 and set out details of the country’s finances including details of the government tax and public spending plans. The Office for Budget Responsibility (OBR) also warned pressure on local authority budgets “will continue.” It said 2022-23 was the first time since 2019-20 that local authorities had drawn on their reserves for current

spending, using £2.3bn and it now assumes they will drawdown a further £1.5bn in 2023-24 and £0.8bn in 2024-25. Its previous forecast in March 2023 had assumed there would be no drawdown from reserves. The analysis notes that 11 section 114 notices have been issued by local authorities since 2018, this includes Croydon that has issued three section 114 notices, compared with two between 2000 and 2018, but says the “direct impact on our forecast to date has been relatively small as the central government response to section 114s has been to allow affected local authorities to reallocate their capital budget towards day-to-day spending (a ‘capitalisation direction’) or to increase council tax rates”.

72. However, the OBR warns that wider pressures on local authority finances still pose a risk to its forecast. It notes that local authority spending has fallen from 7.4% to 5% of GDP since 2010-11 and forecasts it will fall further to 4.6% in 2028-29. It adds: “Given local authorities’ statutory duty to provide a range of services where demand is likely to continue to grow, for example adult and child social care, pressure on local authority finances and services will continue.” The watchdog also forecasts a £4.5bn fall in borrowing for capital expenditure from its 2019-20 peak of £11.5bn to £7bn in 2028-29. It adds: “This reflects the financial pressures facing local authorities and higher interest rates on loans from the Public Works Loan Board, their principal source of financing.”
73. On 5 December 2023, the Secretary of State for Levelling Up, Housing and Communities published a written ministerial statement which was accompanied by a policy statement on the 2024/25 local government finance settlement.
74. On the core settlement, the statement confirms assumptions around the Revenue Support Grant, Business Rates baseline levels and that councils with social care responsibilities will be able to increase council tax by up to 3%, with an additional 2% for adult social care without a local referendum. The Government reconfirmed the adult social care funding package announced in December 2022, and included the new Market Sustainability and Improvement Fund (MSIF) – workforce fund which was announced in July 2023 and will continue into 2024/25. They also announced that they would consider representations on Council Tax. The statement said that:
- “Where councils need additional support from government, they should take every possible step to minimise the need for that support to be funded by national taxpayers. As part of that process, the government will consider representations from councils, including on council tax provision.”*
75. Last year, as part of the settlement three councils, Slough Borough Council, Thurrock Council and Croydon Council, were given permission to increase their council tax by more than the referendum threshold.

76. The provisional Local Government Finance Settlement was announced on 18 December 2023. The headlines were a 6.5% increase in Core Spending Power for Councils, but Somerset only received 6.1%. This is below the average for Unitary Councils of 6.5%, Shire Counties of 6.7%, Inner London Boroughs of 6.7% and Metropolitan Districts of 6.6%. It is also below the Southwest average of 6.3% and below the level of councils with similar Index of Multiple Deprivation (IMD) of 6.5%.
77. On 24 January 2024, following representation from councils the government announced a further £600m of support for Local Authorities, £500m added to the Social Care Grant and £100m for an increase to the Funding Guarantee from 3% to 4%, £15m for the Rural Services Delivery Grant, £3m for authorities with Internal Drainage Boards. It is estimated that Somerset will benefit by £5.8m in 2024/25 from these additional grants. The funding from Business Rates has been updated in line with January 2024 NNRD1 form.
78. The final Finance Settlement is set out in **Appendix 3** and shows the changes in funding for Somerset Council from 2023/24 to 2024/25. The overall increase is £38.2m out of which £18m is increased grant and £20.2m is assumed council tax increase.

Council Tax

79. The authority's main source of funding is Council Tax, which at £336m in the current year is nearly 62% of the net budget. In recent years, the increases in Council Tax have been carefully controlled by government which limits annual changes through the referendum principles which were introduced in 2012/13. Somerset Council was not able to set its charge at the national average or what it required for the year. Instead, it was limited to having the 2023/24 charge based upon historical charges of the five predecessor councils.
80. Therefore, the current band D charge of £1,646 reflects the historical decisions from the five predecessor councils. **Appendix 4** sets out the details of the band charges of the predecessor councils since council tax was introduced in 1993/94. It highlights that between 2010/11 and 2015/16 the majority of the predecessor councils did not increase council tax. The impact upon the finances of Somerset Council of this is significant given how much of overall income comes from council tax. Part of funding for Adult Services is now funded from council tax through the adult social care precept. Comparing what the maximum increases could have been against the actual position shows that additional income to Somerset Council would have been in excess of £50m in the current year.
81. **Table 4** below shows the average Council Tax including the Adult Social Precept for 2023/24 is £2,027 with the charge in Somerset being £381 lower at £1,646. If the

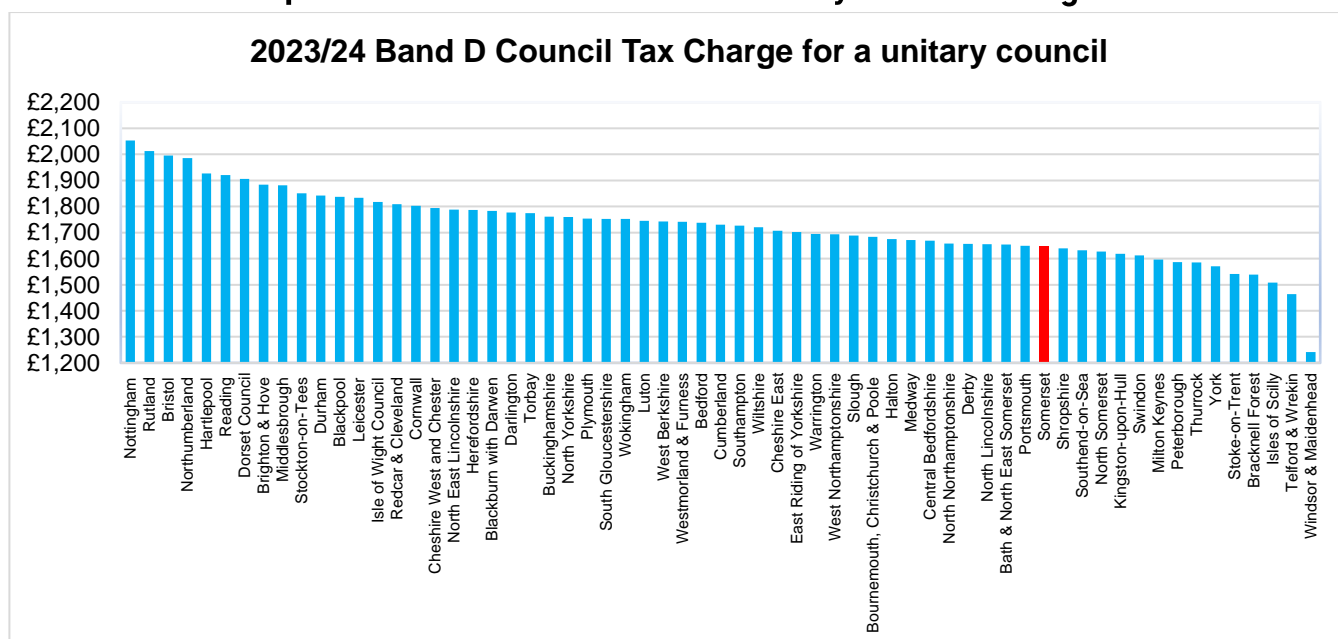
Council charged the average amount for England, then an additional income amount of £78.3m would be generated.

Table 4: Summary of Council Tax statistics for England from 2019/20 to 2023/24

Year	2019/20	2020/21	2021/22	2022/23	2023/24
Council tax requirement including adult social care precept, excluding parish precepts (£ millions)	30,894	32,544	33,819	35,658	38,011
Parish precepts (£ millions)	554	596	618	655	708
Council tax requirement including adult social care and parish precepts (£ millions)	31,448	33,141	34,437	36,313	38,718
Taxbase for council tax setting purposes (millions)	17.972	18.232	18.139	18.473	18.749
Average Band D council tax including adult social care, excluding parish precepts	£1,719	£1,785	£1,864	£1,930	£2,027
Average Band D council tax including adult social care and parish precepts	£1,750	£1,818	£1,898	£1,966	£2,065

82. As well as being significantly below the average charge for England, the council tax charge for 2023/24 is lower than the majority of other unitary councils as set out in **Chart 4** below.

Chart 4: Comparison of Council Tax across unitary councils using Band D



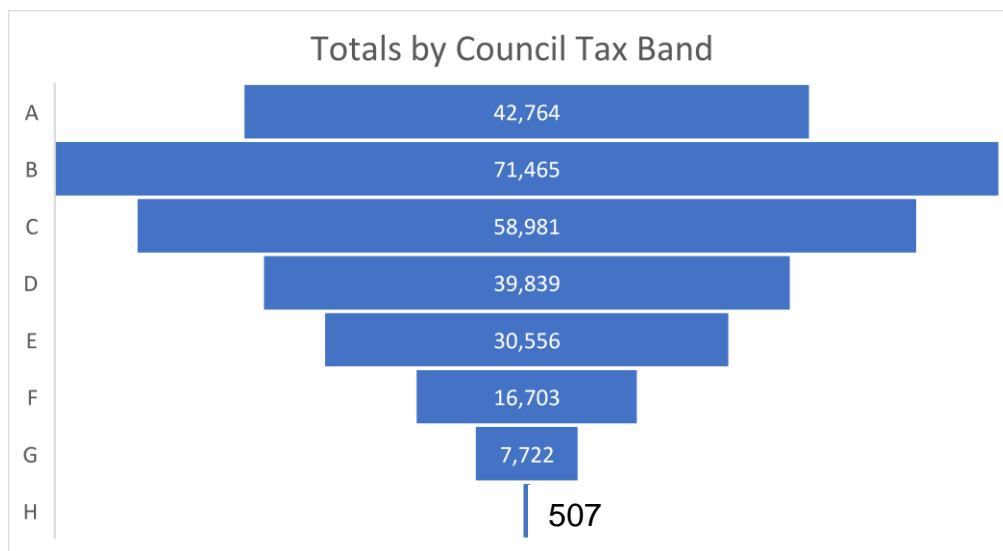
83. The analysis shows:

- Somerset Council being ranked 49 out of 63 for unitary councils.

- The average unitary Council Tax charge is £1,728 which is 5% or £82 higher than in **Somerset which is £1,646**.
- Charging the unitary average would generate an additional £16.7m per annum.
- If the Council charged the average amount for all councils in England, then an additional amount of £78.3m would be generated.
- Charging the same as the highest Unitary Council Tax, Nottingham City Council (£2,053) would generate an additional £83.7m per annum.
- Charging the same as the other Southwest unitary councils would generate an additional:
 - Dorset Council (£1,906 – 15.8% higher) - £53.4m per annum
 - Cornwall Council (£1,803 - 9.5% higher) - £32.2m per annum
 - Wiltshire Council (£1,702 – 3.4% higher) - £11.5m per annum

In Somerset, the most common council tax band is Band B and 64.5% are in Bands A to C. **Chart 5** sets out the number of properties in Somerset each in band in 2023.

Chart 5: Total number of properties in Somerset by Council Tax band



84. The Council approved an updated Local Council Tax Reduction and Exceptional Hardship scheme at its meeting on 20 December 2023 which detailed uprating income band thresholds by the same increase applied by Government to state benefits (6.7%). The overall cost of the schemes is estimated to cost £36m with approximately £20m relating to support for working age claimants and £16m for pensioners.
85. The referendum limits for 2024/25 are that Council Tax can increase by 3% and that there can be a further rise of 2% for the adult social care precept. In the provisional local government financial settlement, it was announced that government would consider representations on Council Tax. The statement said that:

“Where councils need additional support from government, they should take every possible step to minimise the need for that support to be funded by national taxpayers. As part of that process, the government will consider representations from councils, including on council tax provision.”

86. The potential to increase Council Tax above referendum limits would enable Somerset’s Council Tax charge to be closer to the average of all Unitary Councils, although it would still be a significantly below the English average charge. If the Council were permitted to increase council tax by a further 5%, as DLUHC has been allowing other councils to do in both the current year and for 2024/25, this would generate an additional £17.1m. It would see the Band D charge increase to £1,810 which would mean that the total council tax increase for a Band D property would be £3.15 per week (including the Adult Social Care precept).
87. The Council has looked to ensure that the vulnerable are protected from the increase through the recently approved Council Tax Reduction and Hardship schemes which will increase by 6.7% for 2024/25 in line the rise in state benefits announced in the Autumn Statement.
88. DLUHC’s response to the councils request is:

“Ministers have considered the Council’s request for additional council tax flexibilities carefully and the supporting information and evidence the Council has provided. In doing so, they took account of the rationale that you and the Council have set out for increasing council tax in Somerset.

As you know, Ministers have been very clear about their concerns regarding the effects that an additional increase in council tax would have on taxpayers, especially those on lower incomes. While Ministers acknowledge the additional steps proposed by the Council would help to protect those on the lowest incomes and in receipt of council tax support, the Government is particularly mindful of the impact of significant cost of living pressures which taxpayers are also currently facing. The Government is therefore of the view that additional council tax flexibilities should only be provided in the most serious of circumstances where a council is in severe financial failure.

Given these concerns, Ministers have decided not to provide the Council with flexibility to increase council tax in 2024-25 above national limits, without holding a referendum.”

89. The current focus is very much upon 2024/25 but it is important to look at the Council's position over the medium term. The figures included with the MTFP are based upon the current assumptions on funding and service costs and will continue to be updated with the latest available information. **Table 5** summarises the budget gap to 2026/27.

Table 5: High Level MTFP Summary

High Level MTFP Forecast	2024/25 £m	2025/26 £m	2026/27 £m
Budget Gap from previous year	0.0	36.9	103.9
Budget Gap for year	36.9	67.0	43.9
Capitalisation Direction	(36.9)	-	-
Budget Gap	0.0	103.9	147.8

90. The current MTFP Forecast is set out in **appendix 1** and show the 2023/24 budget alongside the forecast budgets for the 2024/25 to 2026/27 for each service.

91. **Table 6** shows the overall high-level summary of changes for the three years 2045/25 to 2026/27 with the detailed analysis set out **appendix 2**.

Table 6: Summary of changes to budgets

Changes to Budget	2024/25 £m	2025/26 £m	2026/27 £m
Budget from previous year	0.0	0	103.9
Reversals for once off items	19.9	7.7	0.0
Revised starting point	19.9	7.7	103.9
Pressures	109.8	45.0	53.6
Savings	(35.0)	(10.0)	0.3
Changes to pay	13.8	6.1	6.1
Increase in financing costs	12.9	12.0	4.4
Increase in funding	(47.6)	(32.5)	(20.5)
Change in Use of Reserves	(36.9)	38.6	0.0
Capitalisation Direction	(36.9)	36.9	-
Budget Gap	0	103.9	147.8

92. The assumptions for future years are based upon the current council tax referendum limits and government funding in line with the details set out in finance settlement. The underlying assumptions will continue to be reviewed and updated.

93. If no additional savings were identified in future years the total capitalisation direction required over the three years is £288.6m. Increasing Council Debt by £288.6m with ongoing interest and MRP on this amount would add approximately

£33.2m per annum to the gap identified above. The strategy is to try and avoid this by disposing of assets to fund the capitalisation direction rather than borrow for it.

Table 7: Capitalisation Direction

Financing Costs of Capitalisation Direction	To balance 2024/25 budget £'m	To balance 2025/26 budget £'m	To balance 2026/27 budget £'m
Revenue cost of Capitalisation Direction			
- of £36.9m	4.2	4.2	4.2
- of £103.9m	-	12.0	12.0
- of £147.8m	-	-	17.0
Potential full year cost of Capitalisation Direction	4.2	16.2	33.2

94. The capitalisation direction may also have to have a further increase in 2026/27 if the Dedicated Schools Grant (DSG) High Needs Block deficit has to be funded by the Council once the statutory override finishes at 31 March 2026. The current forecast is that the cumulative deficit will be £96.2m at this stage.
95. The capitalisation of revenue can be funded by asset disposals, although asset values of surplus council accommodation are not significant in Somerset. It will be beneficial to dispose of commercial properties and using the receipts to fund the capitalisation direction, however the MRP (or principal) and interest costs on the borrowing for these assets will remain and the future income lost.
96. **Table 8** provides analysis of the changes between the 2023/24 current budget and the draft 2024/25 budget by service with more detail set out in **appendix 2**. The Net Change includes adjustments for once off items in the current years budget, new pressures for 2024/25 and reductions for 2024/25 savings proposals. The 2024/25 pay award will be allocated to services once finalised.

Table 8: Changes to budgets from 2023/24 to 2024/25

Service Area	2023/24 Current Budget £m	2024/25 Budget £m	Change £m
Adult & Health Services	181.3	239.4	58.0
Children & Family Services	126.1	142.0	15.9
Community Services	37.0	35.5	(1.5)
Climate & Place	94.2	93.9	(0.3)
Strategy, Workforce & Localities	25.5	24.7	(0.7)
Resources & Corporate Services	23.3	27.7	4.4
Public Health	1.0	1.0	0.0
Corporate Areas:			
Pay award	-	10.3	10.3
Debt financing	40.7	53.6	12.9
Other Corporate costs	13.7	10.6	(3.1)
Capitalisation Direction	-	(36.9)	(36.9)
Net Budget Requirement	542.8	601.8	59.0
Financed by:			
Council Tax	(335.5)	(357.8)	(22.2)
Flexible Use of Capital Receipts	(4.0)	0.0	4.0
New Homes Bonus	(3.8)	(1.9)	1.9
Rural Services Delivery Grant	(3.2)	(4.1)	(0.9)
Services Grant	(3.2)	(0.5)	2.7
Social Care Support Grant	(39.2)	(51.0)	(11.8)
Revenue Support Grant	(7.9)	(8.5)	(0.5)
Business Rates	(122.2)	(128.4)	(6.3)
Council Tax Somerset Rivers Authority	(3.0)	(3.1)	0.0
Special Expenses	(0.2)	(0.2)	0.0
Business Rates Collection			
(Surplus) / Deficit	6.1	(1.5)	(7.6)
Council Tax Collection (Surplus)	(6.7)	(6.2)	0.4
General Reserves	-	-	-
Earmarked Reserves	(19.9)	(38.5)	(18.6)
Total Financing	(542.8)	(601.8)	(59.0)

Pressures

97. The list of pressures by directorate is summarised below in **table 9**, further details are set out in **appendix 6** totalling £109.9m for 2024/25 which represents a 20% increase on the 2023/24 budget.

Table 9: Summary of the pressures by directorate

Total Pressures by Directorate	2024/25 £m	2025/26 £m	2026/27 £m
Adults Services	69.6	34.4	33.1
Childrens, Families and Education	26.5	4.8	5.3
Communities Services	1.3	(0.2)	0.0
Climate & Place	5.3	1.7	2.5
Strategy, Workforce & Localities	0.1	0.0	0.0
Resources & Corporate Services	7.0	4.3	12.7
Total	109.9	45.0	53.6
Cumulative Total	109.9	154.8	208.4

98. **Table 10** below shows there are 59 pressures in total for 2024/25. 71% of pressures are over £100k, the value of these mean it would be very difficult for a service to absorb these in their current budget allocations.

Table 10: Analysis of Pressures for 2024/25

Total Pressure Value	Number of Pressures	% of Pressures
Below £100k	17	29%
£100k-£249k	16	27%
£250k-£499k	10	17%
£500k-£999k	6	10%
£1m+	10	17%
Total Number of Pressures	59	100%

99. The cost pressures in the adult social care budget are driven by the increasing costs of providing care, particularly the costs of residential care placements. Traditionally the costs in Somerset have been amongst the lowest in the country providing good value for the council taxpayer of Somerset. The impacts of interest rates, cost of living, Brexit, Covid-19, Covid-19 jobs, and the commencement and then

postponement of the national Fair Cost of Care exercise by the government, have all been detrimental to the cost of placements, particularly in Somerset.

100. In Childrens, the increases in external placement costs and SEND transport are significant. The growth in demand for, and the costs of children’s social care is a national issue and the recently published Government statistics demonstrated that nationally, Council spending on Children’s Social Care doubled in the decade to 2022-23 from £6.6bn to £12.8bn. The Children’s Funding Alliance have identified a £1.6bn annual shortfall in funding, while the Independent Review of Children's Social Care has called for an additional £2.6bn over five years to deliver much needed reform and highlighted a system under extreme stress. The Competitions and Markets Authority identified a dysfunctional market for children's residential care in which a small number of providers can make excessive profits as local authorities compete for limited spaces.

Savings Proposals

101. To close the projected gap for 2024/25 and ensure we can set a balanced budget there is a need to review the range and scope of the services that are delivered by the Council. The purpose of this section is to set out the areas where savings could be made by redesigning how a service is delivered, reducing the level of service offered or, potentially, ceasing the service entirely, subject to appropriate consultation and the Council’s duties, including the public sector equality duty. **Table 11** shows a summary of the savings proposals broken down between those already approved, which mainly relate to LGR Staff savings from the business case £8.4m and £5m from ‘My Life, My Futures’ in Adult Social Care and new saving proposals. The detail behind these is set out in **appendix 7**.

102. These savings proposals total £44.8m over the next three years and represent an 8% reduction to the net budget and part of the approach of avoiding issuing a section 114 notice and moving towards a having sustainable financial footing. The savings are made up of new savings and savings previously approved.

Table 11: Breakdown of total savings

Total Savings by Directorate	2024/25 £m	2025/26 £m	2026/27 £m
Already approved savings	(11.0)	(7.0)	0.2
New Savings	(24.0)	(3.5)	0.1
Total	(35.0)	(10.5)	0.3
Cumulative Total	(35.0)	(45.5)	(44.2)

Table 12: Analysis of savings by value for 2024/25

Total Saving Value	Number of Savings	% of Savings
Below £100k	62	53%
£100k-£249k	34	29%
£250k-£499k	14	12%
£500k-£999k	2	2%
£1m+	4	4%
Total	116	100%

103. Further savings in addition to these are required and need to be developed with the council having an established pipeline of future savings as it looks to radically change, reduce costs and increase income. The new Transformation Programme will be integral in developing and delivering the future savings that are required in order to achieve future financial sustainability.

Table 13: Summary of savings proposals by directorate 2024/25 to 2026/27

Total Savings by Directorate	2024/25 £m	2025/26 £m	2026/27 £m
Adults Services	(9.8)	(1.6)	0.0
Childrens, Families and Education	(9.6)	(1.9)	0.0
Communities Services	(2.9)	(0.6)	0.0
Climate & Place	(5.5)	(1.4)	0.3
Strategy, Workforce & Localities	(0.6)	(0.1)	0.0
Resources & Corporate Services	(2.6)	(0.5)	0.0
Public Health	0.0	0.0	0.0
Local Government Reorganisation	(4.0)	(4.4)	0.0
Total	(35.0)	(10.5)	0.3
Cumulative Total	(35.0)	(45.5)	(45.2)

104. Every service has found savings proposals, reviewing all areas of activity. This includes reviewing discretionary services and considering whether they can be reduced or even stopped. The list below illustrates the key areas of potential savings options:

- Efficiency savings, including reviewing our contracts and use of consultants, reducing the bills associated with managing our estate by reducing the number of buildings we operate, continuing to transform our IT infrastructure so that it reflects best practice and the size of our Council, removing all non-essential mobile phones, making best use of grants and external funding to reduce revenue costs and reducing staff benefits including long service awards.
- Harmonisation of service standards as there are several services where there is still inconsistency across the County following Local Government Reorganisation. Currently there are grants paid to Parish Councils in the former Somerset West and Taunton area to maintain footpaths, playing fields and burial grounds. In addition there are several legacy grants, established by previous councils, which are paid to support community groups. The authority currently has different approaches in different areas to providing facilities for events and charging for emptying bins. Savings are proposed by moving to a consistent approach across Somerset and ceasing funding.
- Adult Services: Many of these services are demand led with service levels set by statute. However, there is discretion on how the Council delivers some preventative services. Saving options include (but are not limited to):
 - Reviewing supported living accommodation and decommissioning properties that are no longer suitable.
 - Maximising fees and charges across adult social care.
 - Reducing spend on mental health and substance misuse support.
 - Cease Council funding for employment support for carers and individuals with mental health needs.
- Children's Services: costs in Children's services are increasing nationally and there is often legislation setting delivery standards. As with adult social care services, there are discretionary elements where savings could be considered including (but not limited to):
 - Removing the use of external resources to prepare education, health and care plans.
 - Increasing the use of Council owned residential homes.
 - Stopping out of hours security checks for young adults living in supported accommodation homes.
- Climate and Place: Somerset Council carries out a range of proactive and reactive highways maintenance services. Many of these are mandatory but service levels could be reviewed to reduce costs.
 - Reduction in planned and reactive highway maintenance.
 - Review of subsidies for contracted bus services.
 - Increase parking charges in line with inflationary pressures.

Waste

- Closure of five household waste recycling centres.
 - Introduction of a Somerset recycling site permit scheme to stop non-Somerset residents using sites.
 - Economic development and land use planning.
 - Introduce fees for pre-application planning enquiries.
 - Reduce reliance of Council funding to deliver the economic development service, making greater use of grant funding.
- Community Services: many of these services are discretionary and as a result Councils can determine the extent to which they support these activities. Saving options include (but are not limited to):
 - Closing all Council owned public toilets.
 - Generating additional income to cover the costs of the CCTV service.
 - Reducing support to theatres in Somerset.
 - Closing visitor information centres.
 - Increasing fees for harbours, beach parking and cemeteries.
 - Closure of Council run plant nurseries.
 - Elected Councillors and Democratic Function: savings options associated with reducing the number of Councillor meetings, reducing the number of Executive Lead Councillors and reducing the budget for training and conferences.

Budget Consultation & Engagement

105. Somerset Council's 2024/25 budget consultation ran for six weeks from 11 December 2023 to 22 January 2024 and was widely promoted across a number of different communications channels.
106. The aim was to increase understanding of local government funding and the services we provide, while also seeking the public's views on options available as we look to set a balanced budget in February 2024. We invited residents, businesses and stakeholders to share their views on a range of high-level options that could contribute towards balancing the budget. We also asked for alternative options not yet considered and encouraged feedback on the potential impact of the general approach to budget setting.
107. The consultation received 5,841 responses via the consultation survey, 17 emails/letters and nearly 400 comments on social media. We are also aware of a petition about a specific saving associated with Yeovil Rec which has so far generated more than 13,900 signatures.
108. We held four in-person briefing events specifically for businesses. These were attended by both Members and Officers and held in Taunton, Bridgwater, Frome

and Yeovil to give a wide geographical spread. There was also a virtual event for those who could not attend in person. These were attended by representatives from 46 businesses.

109. The report in **Appendix 8** summarises the findings of the consultation exercise. Members are reminded that individual proposals contained within the budget may be subject to further consultation.
110. Scrutiny considered the budget proposals at their workshop on 31 January 2024 and meeting on 2 February 2024. The report from Scrutiny is in **Appendix 14** and was considered by the Executive at their meeting on 7 February 2024.

Reserves & Contingency

111. The new Council had a reasonable level of reserves on vesting day, 01 April 2023. £20m of reserves were planned to be used in 2023/24 with £10m of these used to balance the budget. Early in the new financial year it became apparent that more reserves would be required to fund the forecast overspend in 2023/24 and to support the 2024/25 budgets.
112. The on-going review of the reserves resulted in:
- A transfer between the Earmarked Reserves to General Reserves to fund the 2023/24 forecast overspend of £18.3m and increase them to £31.5m to ensure that they are within the range of a minimum of £30m and maximum of £50m agreed by Council when the 2023/24 budget was set in February 2023, and
 - Repurposing of several reserves from the predecessor councils to create a MTFP Support Reserve of £36.8m which is planned to support the 2024/25 budget (**table 15**).
 - Setting up a Budget Delivery reserve of £2.5m to cover the costs associated with the delivery of the savings contained within the budget proposals and any delays in delivery of them.
 - Setting up a Reserve for Devolution of Assets & Services – Overhead Costs of £0.6m.
113. Set out in **table 14** is the summary of the overall position on reserves and shows the how the £316m in the five predecessor councils' statement of accounts on 31 March 2023 have brought together. The adjustments column shows the £19.9m planned use of reserves agreed by Council in setting the current years budget. The 'Other' category includes £109.0m of reserves held on behalf of others as part of the Council's accountable bodies role. General fund reserves are forecast to be £32.3m after allowing for current years forecast overspend, remaining above the £30m risk based minimum level approved by Council.

Table 14: Somerset Council Reserves by DLUHC Reporting Category

Somerset Council Reserves (DLUHC Reporting Categories)	31 March 2023 £m	Adjust -ments £m	01 April 2023 £m	Fore- cast Use £m	31 March 2024 £m	Fore- cast Use £m	31 March 2025 £m
Contractual commitments	14.8	(1.1)	13.7	(0.4)	13.2	(0.1)	13.1
Planned future revenue & capital spending	50.9	(18.9)	32.1	(15.5)	16.6	(3.9)	12.7
Specific risks	24.7	(7.2)	17.6	(2.9)	14.6	(3.7)	11.0
Budget stabilisation	52.3	(10.1)	42.2	1.0	43.2	(39.4)	3.9
Public Health	4.1	(1.7)	2.4	0.0	2.4	(1.8)	0.6
Other	142.4	(4.0)	138.3	(100.2)	38.1	(6.9)	31.3
Total Earmarked Reserves	289.2	(43.0)	246.3	(118.0)	128.2	(55.7)	72.5
General Fund Reserves	26.8	23.1	49.8	(17.5)	32.3	0.0	32.3
Total Reserves	316.0	(19.9)	296.1	(135.5)	160.6	(55.7)	104.9

114. Details of the reserves which were repurposed from the predecessor councils to create an MTFP support reserves of £36.8m is detailed in **table 15** below.

Table 15: MTFP Support Reserve

MTFP Support Reserve	£m
Amalgamated Reserves:	
Funding Volatility (SCC)	6.8
MTFP Support Fund (SSDC)	7.6
MTFP Managed Use of Balances (SDC)	9.4
MTFP Reserve (MDC)	3.9
Budget Equalisation (SCC)	2.4
Total Amalgamated MTFP Support	30.1
Full/Part Released Reserves	
Local Government Reorganisation	8.7
Investment Property Risk Reserve	5.2
Regeneration Fund	3.0
Workforce Resilience	0.7
Economic Development Fund	0.1
Total Released from Reserves to MTFP Support	17.7
Total MTFP Support Reserve after Transfers	47.8
Use of Reserve for 2023/24 MTFP	(11.0)
Remaining Balance for MTFP Support Reserve	36.8

115. The current level of corporate Contingency is £6m which is approximately 1% of the Net Budget requirement and is to allow for things such as changes to the forecast cost of the national pay award for staff.

Dedicated Schools Grant (DSG) High Needs Deficit

116. Local authorities are facing increased demand for services for pupils with SEND. By December 2023, Somerset had issued 5,447 Education Health and Care Plans for pupils with SEND, which is an increase of more than 160% in the last five years. As well as the significant increase in numbers, there has been an increase in the complexity of pupils' needs.

117. In the case of Somerset, the spending on DSG is forecast to exceed the funding provided by government by £17.4m in 2023/24 and reach a cumulative deficit of £96.2m by 31 March 2026. This means that the council is having to pick up the costs of financing this deficit which are estimated to be £2.1m in 2024/25 rising to £5.3m in 2025/26.

118. The actual, forecast and projected DSG deficits are shown in the **table 16** below:

Table 16: Actual, current forecast and projected Dedicated Schools Grant deficits

Actual, current forecast and projected DSG deficits	31 March 2023 Actual £m	31 March 2024 Forecast £m	31 March 2025 Projected £m	31 March 2026 Projected £m
Dedicated Schools Grant deficit	20.7	38.1	61.5	96.2

119. As one of the conditions of the Dedicated Schools Grant, local authorities with DSG deficits are required to prepare and implement a DSG Management Plan. The Department for Education (DfE) recognises that in some cases it may take several years to recover any DSG deficits.

120. The local authority is currently in the process of refreshing its DSG Management Plan and agreeing the plan with the Department for Education. The refreshed plan will be shared with Schools Forum and Council Members when complete.

121. In 2020, the Government introduced a statutory override for a period of three years (up to end of March 2023) that allowed local authorities' DSG deficits to be separated from the wider local authority accounts. Subsequently, the Government agreed to extend the DSG statutory override by a further three years so that the override will now expire on 31 March 2026. At this point any DSG deficit would be

included in the overall assessment of Somersets reserves which estimated to be lower the forecast DSG deficit. If this situation occurs, then a section 114 notice will be issued.

122. **Appendix 12** sets out more details on the Dedicated Schools Grant.

Asset Disposal

123. The generation of capital receipts from asset disposals is a key part of the financial strategy. The Council has already agreed to the disposal of its commercial property investments and has developed a pipeline of future disposals of surplus assets. Capital receipts from asset disposals will be used to provide funding for transformational activities, the capitalisation directions and capital schemes. Loss of £20m investment income has been built into the Medium Term Financial Plan.

124. Following on from the Executive decision to approve the disposal of the commercial investment portfolio at its meeting of 08 November, external agents have been appointed and the Property and Investment Sub Committee set up to oversee the process.

125. The Executive also tasked the Asset Management Group to bring forward asset disposals from assets held outside of the commercial investment portfolio. The Asset Management Group is currently overseeing the disposal of 74 sites that have been declared surplus; 16 further sites have been sold to date during 2023/24. Whilst sales of a number of these sites are subject to planning agreements and options (and may, therefore, not be concluded until 2025/26 or beyond), a total value in the range of £15m to £20m is targeted be achieved from the current pipeline of approved disposals during 2023/24 and 2024/25.

Develop the Approach to Transformation

126. The financial emergency facing the council requires a change in thinking around the pace, scale, and structure of transformation to deliver a radically different way of working as a Council, operating with fewer staff, whilst increasing our influence and impact.

127. Executive agreed a new 'vision for a sustainable Somerset Council' and associated organisational design principles on 06 December 2023 which will seek to deliver a new, smaller, leaner, more productive Council.

128. Achieving this vision will be complex and require whole organisation transformation in order to maximise the opportunity of bringing together the five predecessor councils and meet the financial challenge.

129. The new transformation approach will bring together transformation and change programmes across the organisation, under a single approach and governance to ensure whole council oversight, and prioritisation of resources and investment.

130. The programme will be a key tool in addressing the longer term MTFP forecast which in **table 17** shows that there is a budget gap of nearly £200m by 2027/28. It is clear that significant changes to how services are currently provided is required and progress in delivering this will need to be carefully monitoring.

Table 17: High Level MTFP Summary up to 2027/28

High Level MTFP Forecast	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Budget Gap from previous year	0.0	36.9	103.9	147.8	169.9
Budget Gap for year	36.9	67.0	43.9	22.1	28.6
Capitalisation Direction	(36.9)	-	-	-	-
Budget Gap	0.0	103.9	147.8	169.9	198.5

131. The report to the 07 February 2024 Executive sets out the approach to developing the approach to Transformation.

Chief Finance Officer (CFO) Report and Advice on the Robustness of the 2024/25 Budget and Adequacy of Reserves & Balances

132. Under the terms of section 25 of the Local Government Act 2003 the Section 151 Officer (Chief Finance Officer) is required to report to the Council on two specific matters:

- The robustness of the estimates included in the budget, and
- The adequacy of the reserves for which the budget provides.

133. Section 26 of the same act places an onus on the Chief Finance Officer to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.

134. Given the incredibly challenging financial position that the Council faces a separate Section 25 report has been produced and it is important that all members take note of this report when considering the budget proposals for 2024/25.

Background Papers

135. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council 22 February 2023.
136. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023.
137. Somerset Council – Financial Sustainability report to 26 October 2023 Audit Committee including the Section 151 Officer’s letter to DLUHC and External Auditor letter on Somerset Council Financial Sustainability.
138. Financial Strategy Update report to 09 November 2023 Corporate & Resources Scrutiny and 08 November 2023 Executive.
139. 2024/25 General Fund Revenue & Capital Programme update to 05 December 2023, Corporate & Resources Scrutiny Committee, 06 December 2023 Executive and 20 December 2023 full Council.
140. Monthly Budget Monitoring reports to Executive & Corporate & Resources Scrutiny Committee.
141. 2024/25 General Fund Revenue Budget Update to Executive 15 January 2024.
142. 2024/25 General Fund Revenue Budget report to Corporate & Resources Scrutiny 2 February 2024.
143. Application to DLUHC for a capitalisation direction.

Appendices

Appendix 1: MTFP Forecast

Appendix 2: Changes to Budget by Individual Service from 2023/24 to 2024/25

Appendix 3: Finance Settlement

Appendix 4: Council Tax trends

Appendix 5: Special Expenses

Appendix 6: Detailed list of pressures

Appendix 7: Detailed list of savings proposals

Appendix 8: Summary of findings from the budget consultation exercise

Appendix 9: Strategic Risks associated with the budget

Appendix 10: Detailed reserves position

Appendix 11: Use of Reserves 2024/25

Appendix 12: Dedicated Schools Grant 2024/25

Appendix 13: Letter from DLUHC on Exceptional Financial Support

Appendix 14: Report from Scrutiny on the 2024-25 Budget proposals

Appendix 15: MTFP Cumulative Impact Assessment

Appendix 16: Council Tax Resolution

Appendix 17: Revised application to DLUHC for a capitalisation direction

Report Sign-Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	07/02/2024
Communications	Peter Elliott	07/02/2024
Finance & Procurement	Nicola Hix	07/02/2024
Workforce	Dawn Bettridge	07/02/2024
Asset Management	Oliver Woodhams	07/02/2024
Executive Director / Senior Manager	Jason Vaughan	07/02/2024
Strategy & Performance	Sara Cretney	07/02/2024
Executive Lead Member	Cllr Liz Leyshon	07/02/2024
Consulted:		
Local Division Members	All	
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	Sent report on 05/02/2024
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	Sent report on 05/02/2024

MTFP Forecast

Below shows the forecast budget from 2024/25 to 2026/27:

2023.24 Budget £m	Service Area	2024.25 Budget £m	2025.26 Forecast Budget £m	2026.27 Forecast Budget £m
181.3	Adult & Health Services	239.4	272.2	321.6
126.1	Children & Family Services	142.0	144.8	150.1
37.0	Community Services	35.5	34.8	34.8
94.2	Climate & Place	93.9	94.1	96.9
25.5	Strategy, Workforce & Localities	24.7	24.6	24.6
23.3	Resources & Corporate Services	27.7	31.5	44.1
1.0	Public Health	1.0	1.0	1.0
	Corporate Areas:			
-	Pay award	10.3	16.5	22.6
40.7	Debt financing	53.6	65.6	70.0
13.7	Other Corporate costs	10.6	6.7	6.7
-	Capitalisation Direction	(36.9)	0.0	0.0
542.8	Net Budget Requirement	601.8	691.7	772.6
	Financed by:			
(335.5)	Council Tax @ 2.99% and ASC Precept @ 2%	(357.8)	(379.5)	(402.6)
(4.0)	Flexible Use of Capital Receipts	0.0	0.0	0.0
(3.8)	New Homes Bonus	(1.9)	0.0	0.0
(3.2)	Rural Services Delivery Grant	(4.1)	(4.1)	(4.1)
(3.2)	Services Grant	(0.5)	(0.5)	0.0

(39.2)	Social Care Support Grant	(51.0)	(55.6)	(101.6)
(7.9)	Revenue Support Grant	(8.5)	(8.4)	13.3
(122.2)	Business Rates	(128.4)	(136.5)	(126.6)
(3.0)	Council Tax Somerset Rivers Authority	(3.1)	(3.1)	(3.1)
(0.2)	Special Expenses	(0.2)	(0.2)	(0.2)
6.1	Business Rates Collection (Surplus) / Deficit	(1.5)	0.0	0.0
(6.7)	Council Tax Collection (Surplus) / Deficit	(6.2)	0.0	0.0
-	General Reserves	0.0	0.0	0.0
(19.9)	Earmarked Reserves	(38.5)	0.3	0.3
(542.8)	Total Financing	(601.8)	(587.8)	(624.7)
-	Budget (Surplus) / Deficit	0.0	103.9	147.8
	Gap - Change on the Previous Year	0.0	103.9	43.9

Appendix 2 - Changes to Budget by Individual Service from 2023/24 to 2024/25

Changes to Budget by Individual Service from 2023/24 to 2045/25

The table below shows the changes to budgets:

Directorate	2023/24 Adjusted Base Budget £m	Total Reversals £m	Total Pressures £m	Total Savings £m	Total Finance, Pay & Funding Changes £m	2024/25 Proposed Budget £m	Percentage Change %
Net Budget Requirement:							
Adult Social Care Operations	247.6	-	69.6	(3.9)	-	313.3	27%
Adult Social Care Commissioning	(66.3)	5.5	-	(5.9)	(7.3)	(74.0)	12%
Total Adults Services	181.3	5.5	69.6	(9.8)	(7.3)	239.3	32%
Children & Families	85.2	-	21.8	(1.1)	-	105.9	24%
Children's) Commissioning & Performance	11.3	(1.0)	0.1	(6.8)	-	3.6	(68%)
Inclusion	15.5	-	3.8	(1.6)	-	17.7	14%
Education, Partnerships and Skills	14.1	-	0.7	-	-	14.8	5%
Total Children, Families & Education Services	126.1	(1.0)	26.4	(9.5)	-	142.0	13%
Housing	6.9	-	0.4	-	-	7.3	6%
Customer Services	5.9	-	-	(0.2)	-	5.7	(3%)
Cultural Services	9.4	-	0.4	(0.8)	-	9.0	(4%)
Regulatory & Operational Services	14.8	-	0.5	(1.9)	-	13.5	(9%)
Total Community Services	37.0	-	1.3	(2.9)	-	35.5	(4%)
Climate, Environment & Sustainability	55.7	-	4.3	(1.8)	-	58.2	4%
Infrastructure & Transport	24.4	-	1.0	(2.5)	-	22.9	(6%)
Economy, Employment & Planning	10.4	-	-	(1.3)	-	9.1	(13%)
Accountable Bodies	3.7	(0.1)	-	-	-	3.6	(3%)
Total Climate & Place	94.2	(0.1)	5.3	(5.6)	-	93.8	0%
Partnership & Localities	2.9	(0.3)	-	(0.1)	-	2.5	(14%)
Strategy & Performance	6.0	-	-	(0.2)	-	5.8	(3%)

Appendix 2 - Changes to Budget by Individual Service from 2023/24 to 2024/25

Workforce	6.6	-	-	(0.2)	-	6.4	(3%)
Governance, Democratic & Legal Services	10.0	-	0.1	(0.1)	-	10.0	0%
Total Strategy, Workforce & Localities	25.5	(0.3)	0.1	(0.6)	-	24.7	(3%)
Finance & Procurement	14.7	-	0.6	(0.8)	-	14.5	(1%)
Strategic Asset Management	(9.5)	-	6.5	(1.2)	-	(4.2)	(56%)
Information Communication Technology	18.1	-	-	(0.6)	-	17.5	(3%)
Total Resources & Corporate Services	23.3	-	7.1	(2.6)	-	27.8	19%
Public Health	1.0	-	-	-	-	1.0	0%
Corporate Areas:							
2023/24 & 2024/25 Pay Award	-	-	-	-	10.3	10.3	
Debt Financing	40.7	-	-	-	12.9	53.6	32%
Other Corporate Costs	13.7	(2.6)	-	(4.0)	3.5	10.6	(23%)
Capitalisation Direction	-	-	-	-	(36.9)	(36.9)	
Total Net Budget Requirement	542.8	1.5	109.8	(35.0)	19.4	601.7	18%
Funding of Net Budget Requirement:							
Council Tax @ 2.99% and ASC Precept @ 2%	(335.5)	-	-	-	(22.2)	(357.7)	7%
Flexible Capital Receipts	(4.0)	-	-	-	4.0	-	(100%)
New Homes Bonus	(3.8)	-	-	-	1.9	(1.9)	(50%)
Rural Services Delivery Grant	(3.2)	-	-	-	(0.9)	(4.1)	28%
Services Grant	(3.2)	-	-	-	2.7	(0.5)	(84%)
Social Care Support Grant	(39.2)	-	-	-	(11.8)	(51.0)	30%
Revenue Support Grant	(7.9)	-	-	-	(0.5)	(8.4)	6%
Business Rate Retention	(122.2)	-	-	-	(6.3)	(128.7)	5%
SRA Precept	(3.0)	-	-	-	-	(3.0)	0%
Mendip Special Rates	(0.2)	-	-	-	-	(0.2)	0%
Collection Fund Deficits/Surplus	(0.6)	-	-	-	(7.2)	(7.7)	1183%
Total Funding of Net Budget Requirement	(522.8)	-	-	-	(40.3)	(563.2)	8%
Reserves Requirement:							
Use of Earmarked Reserves for Service Budget	(19.9)	18.3	-	-	(36.9)	(38.5)	93%

Appendix 2 - Changes to Budget by Individual Service from 2023/24 to 2024/25

Other Base Budget Contribution From Reserves	-	-	-	-	-	-	-
Total Reserves Requirement	(19.9)	18.3	-	-	(36.9)	(38.5)	93%
Total Funding	(542.8)	18.3	-	-	(77.2)	(601.7)	11%
Deficit / Surplus	-	19.8	109.8	(35.0)	(57.8)	-	

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Finance Settlement

1. The provisional finance settlement was announced on 18 December with a four-week consultation running until 15 January 2024.
2. The 2024/25 final local government finance settlement provides allocations of the additional funding package announced in January 2024, as well as other funding changes compared to the provisional local government finance settlement.
3. The changes between the provisional and final settlement can be broken down into the following:
 - **Social care grant** – the additional £500 million grant has been distributed on the basis of the adult social care relative needs formula.
 - **Rural services delivery grant** – the additional £15 million grant has been distributed on the basis of existing funding shares (an uplift of 15.79% of the previous allocation).
 - **Services grant** – £7.35 million has been added to the grant, distributed on existing shares (an uplift of 9.71%), in addition to an uplift of £0.15m for the Isles of Scilly and £3m for the Isle of Wight which are also in the grant (making up a total increase of £10.5 million).
 - **New homes bonus** – data updates have resulted in small shifts in allocations for a limited number of authorities, with a net total reduction of £0.6 million.
 - **Funding guarantee** – allocations have been updated to reflect a higher 4% guarantee level and the grant increases above. The interaction of these funding streams means that in a few cases the funding guarantee allocation has gone down from the provisional settlement. Overall, the value of the guarantee has gone up by a net total of £72 million.
 - **Council tax** – following representations as part of the settlement consultation process, Birmingham council has been granted an additional flexibility to increase council tax by another 5% on top of the standard flexibilities.
4. No other funding stream totals within core spending power have changed, however these figures don't reflect additional business rates arrangements.
5. The Government has also confirmed that £100 million will be released from the safety net and levy account in 2023/24 on a one-off basis, distributed using 2013/14 settlement funding assessment shares. Allocations have not been

published, but the appendix sets out an estimated position based on the distribution of previous such releases.

6. Separately to the final local government finance settlement, the Department for Health and Social Care announced allocations of the public health grant for 2024/25. The allocations comprise of a uniform 1.36% uplift on the 2023/24 core public health grant, plus a £27.4 million uplift for the additional recurrent pay pressures due to the 2023 to 2024 consolidated NHS Agenda for Change pay award, the share of which varies by local authority.
7. Overall, the total public health grant is increasing by an average of 2.06%, but the varied nature of the Agenda for Change uplift means that local authority outcomes vary from an increase of 1.31% to an increase of 2.85%. For Somerset the increase is £0.368m (1.6%) taking the Grant for 2024/25 up to £22.964m.
8. Somerset Council requested the ability to raise Council Tax by an additional 5% which would have generated an additional £17.1m in 2024/25. It would have also reduced down the required Capitalisation Direction to balance budget and budget gap for 2025/26.
9. DLUHC's response was:

“Ministers have considered the Council’s request for additional council tax flexibilities carefully and the supporting information and evidence the Council has provided. In doing so, they took account of the rationale that you and the Council have set out for increasing council tax in Somerset.

As you know, Ministers have been very clear about their concerns regarding the effects that an additional increase in council tax would have on taxpayers, especially those on lower incomes. While Ministers acknowledge the additional steps proposed by the Council would help to protect those on the lowest incomes and in receipt of council tax support, the Government is particularly mindful of the impact of significant cost of living pressures which taxpayers are also currently facing. The Government is therefore of the view that additional council tax flexibilities should only be provided in the most serious of circumstances where a council is in severe financial failure.

Given these concerns, Ministers have decided not to provide the Council with flexibility to increase council tax in 2024-25 above national limits, without holding a referendum. ”

10. Table 1 below shows the total change in funding for Councils from 2023/24 to 2024/25. Council Tax is still the largest element, making up 56% of the total.

Table 1 – Finance Settlement for Local Government for England

Core Spending Power by component	2023/24	2024/25	Change	
	£m	£m	£m	%
Revenue Support Grant	2,729	3,024	295	11%
Baseline Funding Levels	12,943	13,538	595	5%
Under indexation	2,205	2,581	376	17%
Council Tax	33,984	36,071	2,087	6%
Improved Better Care Fund	2,140	2,140	0	-
Social Care Grant	3,852	5,044	1,192	18%
ASC Discharge	300	500	200	67%
ASC Market Sustainability Improvement Fund	562	1,050	488	87%
New Homes Bonus	291	291	0	-
Rural Services Delivery Grant	95	110	15	-
Grants rolled in	480	0	(480)	(100%)
Floor Grant	133	269	136	48%
Service Grant	483	87	(396)	(82%)
TOTAL	60,197	64,705	4,508	7%

11. Table 2 below shows the changes in funding for Somerset Council from 2023/24 to 2024/25. The overall increase is £38.2m out of which £18m is increased grant and £20.2m is assumed council tax increase and includes the increase in the council tax base as well as the 4.99% increase in the charge.

Table 2 – Finance Settlement for Somerset Council

Core Spending Power	2023/24	2024/25	Change	
	£m	£m	£m	%
Settlement Funding Assessment	93.4	97.2	3.9	4%
Compensation for under-indexing the business rates multiplier	14.6	17.6	3.1	21%
Council Tax Requirement	338.8	358.9	20.2	6%
Improved Better Care Fund	23.4	23.4	0.0	0%
New Homes Bonus	3.8	1.9	(1.9)	(51%)
Rural Services Delivery Grant	3.6	4.1	0.5	16%
Social Care Grant	39.2	51.0	11.8	30%
ASC Market Sustainability and Improvement Fund	5.8	10.9	5.1	87%
ASC Discharge Fund	3.3	5.5	2.2	67%
Services Grant	3.3	0.6	(2.7)	(82%)
Grants rolled in	3.8	0.0	(3.8)	(100%)

Core Spending Power Total	532.9	571.1	38.2	7%
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Appendix 4

Council Tax in Somerset

Year	England Including parish precepts		Somerset CC		Mendip DC				Sedgemoor DC				South Somerset DC				Somerset West & Taunton DC				Taunton Deane BC				West Somerset DC			
	£	% change	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
1993-94	568	[z]	464	[z]	78	[z]	[z]	[z]	80	[z]	[z]	[z]	96	[z]	[z]	[z]	[z]	[z]	33	[z]	[z]	[z]	51	[z]	[z]	[z]	[z]	[z]
1994-95	580	2.1	488	5.3	100	29.0	[z]	[z]	90	12.7	[z]	[z]	100	4.7	[z]	[z]	[z]	[z]	29	-10.4	[z]	[z]	97	91.1	[z]	[z]	[z]	[z]
1995-96	609	5.0	462	-5.3	87	-13.5	[z]	[z]	90	0.0	[z]	[z]	113	12.4	[z]	[z]	[z]	[z]	30	3.9	[z]	[z]	99	2.3	[z]	[z]	[z]	[z]
1996-97	646	6.1	486	5.1	108	24.4	85	[z]	94	4.0	80	[z]	109	-3.2	84	[z]	[z]	[z]	71	132.1	66	[z]	105	5.6	81	[z]	[z]	[z]
1997-98	688	6.5	506	4	108	0.3	84	-1.3	99	6.0	86	6.4	112	2.8	86	2.3	[z]	[z]	75	6.7	70	6.0	103	-1.5	77	-5.6	[z]	[z]
1998-99	747	8.6	554	9.4	118	8.8	92	9.2	101	1.8	87	1.2	121	8.5	94	9.4	[z]	[z]	93	24.1	88	25.2	119	15.4	89	15.6	[z]	[z]
1999-00	798	6.8	594	7.3	124	5.3	96	4.5	106	4.5	90	4.2	126	4.0	98	4.5	[z]	[z]	97	4.1	91	3.5	121	2.2	93	4.5	[z]	[z]
2000-01	847	6.1	636	6.9	129	4.2	100	4.5	110	4.0	94	4.1	133	5.7	102	4.0	[z]	[z]	99	1.5	92	1.5	129	6.0	97	4.7	[z]	[z]
2001-02	901	6.4	679	6.9	135	4.5	103	3.5	113	2.8	96	2.5	139	4.2	105	3.0	[z]	[z]	105	6.1	98	5.9	134	4.2	100	2.9	[z]	[z]
2002-03	976	8.2	767	12.9	147	9.1	114	10.0	118	4.9	101	4.6	144	3.8	108	3.0	[z]	[z]	115	9.5	108	10.0	138	3.1	102	2.3	[z]	[z]
2003-04	1,102	12.9	858	11.9	155	5.5	118	3.4	123	3.8	104	3.8	157	8.6	118	9.2	[z]	[z]	118	2.5	110	2.4	143	3.3	105	3.0	[z]	[z]
2004-05	1,167	5.9	907	5.7	160	2.9	122	3.9	127	3.4	106	1.5	168	7.1	124	5.0	[z]	[z]	125	6.5	117	6.5	145	1.3	108	2.8	[z]	[z]
2005-06	1,214	4.1	939	3.5	165	3.0	126	3.0	141	11.2	119	11.8	174	3.4	128	3.0	[z]	[z]	131	4.4	123	4.5	150	3.7	111	3.0	[z]	[z]
2006-07	1,268	4.5	986	5.0	170	3.3	129	2.9	143	1.2	115	-3.3	181	4.2	132	3.0	[z]	[z]	135	3.1	126	3.0	154	2.7	114	2.4	[z]	[z]
2007-08	1,321	4.2	963	-2.3	183	7.9	137	5.8	148	3.6	119	4.2	187	3.5	136	3.0	[z]	[z]	138	2.3	129	2.0	160	3.9	117	2.8	[z]	[z]
2008-09	1,373	3.9	1,000	3.8	189	2.8	142	3.4	160	7.8	121	1.6	197	5.1	142	4.9	[z]	[z]	142	3.0	133	3.0	169	5.6	123	5.0	[z]	[z]
2009-10	1,414	3.0	1,027	2.7	194	2.7	146	3.0	165	3.6	127	4.8	205	4.3	148	3.7	[z]	[z]	143	0.5	133	0.0	176	4.4	129	4.9	[z]	[z]
2010-11	1,439	1.8	1,027	0.0	197	1.5	149	1.8	173	4.4	131	3.0	211	2.8	151	2.0	[z]	[z]	147	2.9	136	2.8	181	2.8	133	3.0	[z]	[z]
2011-12	1,439	0.0	1,027	0.0	199	0.9	148	-0.2	178	3.2	131	-0.3	214	1.4	151	0.0	[z]	[z]	148	0.6	136	0.0	186	2.3	133	0.0	[z]	[z]
2012-13	1,444	0.3	1,027	0.0	204	2.8	148	-0.0	179	0.5	131	0.0	217	1.2	151	0.0	[z]	[z]	148	0.3	136	-0.0	190	2.3	133	0.0	[z]	[z]
2013-14	1,456	0.8	1,027	0.0	215	5.2	148	-0.2	185	3.2	135	3.4	220	1.5	151	0.0	[z]	[z]	149	0.7	136	-0.0	198	4.2	138	3.7	[z]	[z]
2014-15	1,468	0.8	1,027	0.0	215	0.3	148	-0.1	188	1.9	138	2.0	223	1.2	151	0.0	[z]	[z]	152	2.2	139	2.0	199	0.7	138	0.0	[z]	[z]
2015-16	1,484	1.1	1,027	0.0	216	0.1	147	-0.3	192	1.8	141	2.0	221	-0.7	148	-2.0	[z]	[z]	153	0.3	139	0.0	205	3.2	141	2.0	[z]	[z]
2016-17	1,530	3.1	1,082	5.3	227	5.3	152	2.9	198	3.3	146	3.6	230	4.1	152	3.2	[z]	[z]	162	6.1	146	4.8	214	4.4	147	4.8	[z]	[z]
2017-18	1,591	4.0	1,125	4.0	236	3.9	154	1.9	207	4.4	152	4.7	242	5.3	157	3.3	[z]	[z]	168	3.9	151	3.4	221	3.1	152	3.4	[z]	[z]
2018-19	1,671	5.1	1,192	6.0	247	4.7	159	3.2	214	3.5	157	3.3	250	3.1	162	3.2	[z]	[z]	174	3.6	156	3.3	229	3.6	157	3.3	[z]	[z]
2019-20	1,750	4.7	1,240	4.0	256	3.5	163	2.5	221	3.4	162	3.2	258	3.4	167	2.8	197	[z]	160	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]
2020-21	1,818	3.9	1,289	4.0	277	8.3	168	3.1	231	4.3	167	3.1	269	4.3	172	3.0	208	5.8	165	2.9	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]
2021-22	1,898	4.4	1,354	5.0	289	4.6	173	3.0	243	5.4	172	3.0	277	3.0	177	2.9	215	3.1	170	3.0	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]
2022-23	1,966	3.5	1,394	3.0	308	6.5	178	2.9	251	3.2	177	2.9	290	4.5	182	2.8	222	3.5	175	2.9	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]
2023-24	2,065	5.1	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]	[z]

Background on controls

1993/94 to 1997/98 - Council Tax Capping

1997/98 - Somerset CC Capped

1998/99 to 2004/05 - Reserve powers to limit council tax increases

2005/06 - 8 Council capped (Sedgemoor made an error with Special expense)

2012/13 Council tax - local referendum introduced

Council Tax freeze grant 2011/12 to 2015/16

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Special Expenses

1. Overview

- 1.1. Special expenses are applied when the Council provides a service in a parish (or unparished area) which is provided in other parishes by a town or parish council.
- 1.2. The cost of this service has to be met by the Council Taxpayers of the town or parish where the Council is providing the service, so a special expense is charged to the Council Taxpayers of that parish.
- 1.3. It should be noted that special expenses are not additional spending over and above the budget set by the Council but a classification within the overall budget. The Authority's budget includes Special Expenses, and some Council Tax calculations are based on the total including Special Expenses.

2. Legislation

- 2.1. Section 35 of the Local Government Finance Act 1992 (the Act) specifies the items which are to be treated as special items for the purposes of calculating the Council Tax. There are three areas within the provisions of Section 35 of the Act that it is considered apply to the Council:
 - i. A precept relating to part only of the Council's area e.g. parish precepts.
 - ii. The whole of the expenses (or only some) of those incurred by the Council in performing in a part of its area a function performed elsewhere in its area by a Parish Council are its special expenses.
 - iii. Any net expenses which arise out of the Council's possession of property held in trust for a part of its area are Special Expenses.
- 2.2. The first two items above can only be treated as a special expense if the Council has made resolutions to that effect.
- 2.3. In practical terms this is done by the Council at the time of setting the Council Tax in February each year as the report presented to the Council is in the form of a resolution which sets out the calculations required under Chapter III of the Act.

3. Special Expense Items

3.1. The Council levies Special Expenses in respect of the following services provided in the previous Mendip and South Somerset Councils who had a special expenses policy:

- Closed churchyards that are maintained by the Council in parished areas.
- Play areas that are maintained by the Council in parished areas.

3.2. The whole of the net expense (inclusive of any income) is to be included in the definition of the special expense.

3.3. Those debt charges will be included for all projects which fall within a special expense to the extent that it would be for prudential borrowing, capital receipts or revenue funding. Debt charges on historic capital expenses are not included.

4. Calculation of Special Expenses

4.1. The Council calculate an average Council Tax across the whole of its area under section 31B of the Local Government Finance Act 1992. Included in that will be the amounts payable to parish councils under their precepts, plus the amounts the Council will spend on performing functions which are performed in parts of its area by parish councils.

4.2. Under section 34 of the Local Government Finance Act 1992, the Council must then deduct the total of any special items. For each part of its area, the Council must then add back amounts for any relevant special items for that part of its area. The amount added back is calculated by dividing the special item (i.e. the authority's estimated cost of performing the function in that part of its area) by the tax base for the part of the area in which the authority performs the function.

4.3. Treating expenses as special expenses does not affect the overall amount that the Council needs to raise through Council Tax, and does not, therefore, affect the average amount of council tax across the whole of the district. It simply means that, compared with what would happen if the expenses were not treated by the Council as special expenses, the council tax is:

- Relatively lower for areas where the parish council performs the concurrent function, as it includes the parish's costs but not the Council's costs of performing the function elsewhere; and
- Relatively higher for areas where the Council performs the function, as all of the Council's costs of performing the function must be met by taxpayers in the area where the Council performs it.

4.4. Special Expenses are estimated for the year approaching (in line with all other budget estimates). Special Expenses budgets in future years include previous under or overspends.

4.5. If work is undertaken through the Authority's capital programme, any effect from depreciation and funding does not have any effect in the revenue budget until the following year where an estimate is included where the capital expenditure is known, otherwise there is a time lag and it falls into the year after. If the item falls within the special expenses policy, then the special expenses budget for future years is amended to include the relevant costs.

Estimated costs for Special Expenses 2024-25

Budget	£
Play Areas	99,588
Closed Churchyards	131,389
Total Special Expenses	230,977

	Council Tax Base	
	2023-24	2024-25
Council Tax Base for Council	205,674	208,798
Special Expenses	£220,071	£230,977
Council Tax Band D	£1.07	£1.11
% Increase In Band D		3.7%

It is recommended that a resolution is passed to set the Special Expenses of £230,977 for 2024/25 as per the tables shown below.

Somerset Council Special Expenses Rate 2024-25

Parish	2024/25		
	Tax Base	Special Expense	Council Tax Band D Charge
		£	£
Ashwick	541.62	2,698	4.98
Croscombe	260.8	3,260	12.5
Evercreech	935.36	5,595	5.98
Frome	9,188.02	39,211	4.27
Glastonbury	3,229.47	37,054	11.47
Godney	94	1,175	12.5
Leigh on Mendip	224.28	486	2.17
Meare	547.52	5,812	10.61
Nunney	359.19	4,324	12.04
Pilton	488.67	6,108	12.5
Rode	508.61	1,792	3.52
Rodney Stoke	558.77	3,426	6.13
Shepton Mallet	3,449.61	16,226	4.7
Street	3,825.48	47,819	12.5
Tellisford	94.84	756	7.97
Trudoxhill	191.8	2,148	11.2
Walton	462.3	2,698	5.84
Wells	4,363.49	43,355	9.94
Castle Cary	869.9	4,002	4.6
Ilchester	749.75	1,717	2.29
Wayford	53.59	1,316	24.56
Total	30,997.07	230,977	
Total Council Tax Base	208,797.71	230,977	1.11

Reference Number	Title	Description	Service Director	Pressure Amount			
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
Adults Services							
ADS001	Provider Inflation	Fee Inflation for Social Care providers for Adult Services (Residential & Nursing)	Service Director - Adult Social Care Operations	59,844	24,087	23,072	107,004
ADS002	Demographic Growth	Demographic Growth for Adults Services (Placements)	Service Director - Adult Social Care Operations	9,368	10,304	9,996	29,668
ADS003	Change in legislation	Building team capacity in the Operations team to deliver reforms and legislation changes	Service Director - Adult Social Care Operations	400	0	0	400
Total Adults Services				69,612	34,391	33,068	137,072
Children, Families and Education							
CFE001	External Placements Demand	Increased complexity of need of children and lack of sufficiency within fostering, require longer periods of care in external placements	Service Director - Children & Families	11,885	884	1,184	13,953
CFE002	External placements inflation	Contractual inflation for external placement contracts	Service Director - Children & Families	5,855	1,087	1,132	8,073
CFE003	SEND Transport	Increase in demand for Special Education Needs (SEND) transport provision.	Service Director - Inclusion	3,070	1,370	1,370	5,810
CFE004	Family Safeguarding	Funding to continue the Family Safeguarding Service (at £1.2m pa) in order to reduce financial pressures on the children's placement budget.	Service Director - Children's Commissioning	1,200	0	0	1,200
CFE005	Increase demand in children in need packages	Section 17, Children in Needs, increased demand in particular around family support packages and parental assessments	Service Director - Children & Families	892	0	0	892
CFE006	SEND Transport	Special Educational Needs (SEND) transport inflation increase.	Service Director - Inclusion	710	290	320	1,320
CFE007	Home to School Transport	Inflation on Home to School Transport contracts.	Service Director - Education, Partnerships & Skills	700	270	280	1,250
CFE008	Fostering fees and allowances inflation increase	Fostering fees and allowances inflation to recruit and retain in house foster carers and the provision of special guardianship support (to remove children from the care system to the care of a family member). Costs are significantly lower than those in the external placement market.	Service Director - Children & Families	300	209	213	722
CFE009	Direct Payments demand	To support families with disabled children to care for their child at home. There is a statutory responsibility under section 17 of the Children Act 1989 to assess required support to disabled children and to provide this support under the act or under the Chronically Sick and Disabled Persons Act 1970	Service Director - Children & Families	291	224	224	740

Reference Number	Title	Description	Service Director	Pressure Amount			
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
CFE010	Pause	Funding to continue the Pause programme (at £225k pa) in order to reduce financial pressures on the children's placement budget	Service Director - Children's Commissioning	225	0	0	225
CFE011	Change Management resource for the Children's Transformation Programme	A team of project/programme and change management staff is required to work alongside multiple partners to support partnership working, build capacity and capabilities within the service and deliver programme objectives and benefits across a complex programme of work.	Service Director - Children's Commissioning	249	0	0	249
CFE012	Change in requirement for number of children being taken into care	Change in requirement for numbers of Unaccompanied Asylum Seeking Children (UASC) children being taken into care	Service Director - Children & Families	160	160	160	481
CFE013	Population Increase - Children in Need	Anticipated increase in Children in need/Care package as a result of population increase and poverty.	Service Director - Children & Families	157	68	290	514
CFE014	CWD External Placements Demand	External placements increased demand as a result of increase in care days. Those children in care remain in the care of an external placement provider for longer periods. Increased complexity of need of children and lack of sufficiency within fostering, require longer periods of care in external placements	Service Director - Children & Families	148	0	0	148
CFE015	Reduction to Childrens Vacancy factor	Reduction to Childrens Vacancy factor	Service Director - Children & Families	141	64	0	205
CFE016	Reduction to Childrens Vacancy factor	Reduction to Childrens Vacancy factor	Service Director - Children & Families	132	0	0	132
CFE017	Direct Payments inflation	To support families with disabled children to care for their child at home.	Service Director - Children & Families	111	41	42	194
CFE018	Transport inflation	Inflationary pressure is expected to drive higher unit costs into 2024/25.	Service Director - Children & Families	86	32	33	150
CFE019	Childrens Commissioning - Contract Inflation	Inflation for three Children's services contracts: Pause, SEND mediation & Adoption South West	Service Director - Children's Commissioning	84	31	31	146
CFE020	CWD External Placements Inflation	Contractual inflation for external placement contracts	Service Director - Children & Families	59	22	25	105
CFE021	Inflation for staying put allowances and other leaving care allowances	Contractual inflation for leaving care allowances	Service Director - Children & Families	25	10	10	45
Total Children, Families and Education				26,479	4,761	5,313	36,553
Community Services							
CMS001	Abri Income Target	South Somerset Council previously undertook external grounds work for Abri Housing Association on a contractual basis. This contract was cancelled at the end of 2021/22 by the Council as it was deemed to be impacting core services, however, this income target has incorrectly remained in the budget.	Service Director - Regulatory & Operations	505	0	0	505

Reference Number	Title	Description	Service Director	Pressure Amount			
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
CMS002	Repairs & Maint - Planned Maint - Building Ext Fabric + Revenue Support	Sedgemoor Council signed a "Community Use Agreement" (2009-2028) with English Sports Council (Sport England) and Kings of Wessex School committing the Council to £150,000 revenue support towards the 'wet side' aka swimming pool in Cheddar. There is RPI built into the contract but this has never been called upon and the amount has remained the same.	Service Director - Culture	411	(200)	0	211
CMS003	16-25 yr old homeless duty from April 2024	The housing options service will take responsibility for 16-25 yr olds who the Council have a duty under the Homeless Act previously part of a commissioned service. This service will cost circ £1.6m per year but be offset by a reduction in the Children's budget of £1.2m.	Service Director - Housing	400	0	0	400
CMS004	Public Health Funerals	Budget provision of Public Health funerals, approximately 83 a year not funded previously.	Service Director - Regulatory &	20	0	0	20
Total Community Services				1,336	(200)	0	1,136
Climate & Place							
CAP001	Waste Collection and Disposal Contract Inflation	Both Waste Collection, New Waste Treatment Facility & Core Services Contracts contract are long term contracts and are subject to agreed indexation as detailed within each contract	Service Director - Climate, Environment & Sustainability	2,399	1,810	1,926	6,134
CAP002	Waste Tonnage Growth	Forecast tonnage growth to increase in line with projected population growth of 1%.	Service Director - Climate, Environment & Sustainability	726	259	269	1,254
CAP003	Highway Maintenance Contract Price Rebasing at 1/4/24	Additional funding to cover the rebasing of the contract price list following the retendering of the Highway Term Maintenance Contract (2017 - 2024) to become the Highway Term Service Contract, Surfacing Contract and Surface Treatments Contract that will commence on 1st April 2024.	Service Director - Infrastructure & Transport	545	(545)	0	0
CAP004	Removal of charges for DIY materials (asbestos, plasterboard & rubble)	Removal of income budget for charging residents for DIY materials in their homes following Government announcement in June 2023 to amend the Controlled Waste Regulations 2012	Service Director - Climate, Environment & Sustainability	458	0	0	458

Reference Number	Title	Description	Service Director	Pressure Amount			
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
CAP005	Pay settlement 2023/24	Contribution to pay settlement for waste collection staff	Service Director - Climate, Environment & Sustainability	273	11	11	295
CAP006	Waste Services housing growth	Waste collection contract cost increase due to Housing growth	Service Director - Climate, Environment & Sustainability	247	264	275	786
CAP007	Highway Maintenance Contract Inflation	Contractual inflation for Highway Maintenance	Service Director - Infrastructure & Transport	216	0	0	216
CAP008	Lighting Contract Price Rebasing at 1/4/24 (Contractual Requirement)	Additional funding to cover the rebasing of the contract price list following the retendering of the Highway Lighting Term Maintenance Contract (2012 - 2024).	Service Director - Infrastructure & Transport	151	(151)	0	0
CAP009	Persistent Organic Pollutants (Soft Furnishing Wastes) Legislation Change	Government announced in August 2022 (https://www.letsrecycle.com/news/waste-sofas-must-be-incinerated-pops-ea/) that new Persistent Organic Pollutant (POPs) guidance was being introduced from January 2023, that would impact the way Councils handled and treated POPs (household soft furnishings such as sofas).	Service Director - Climate, Environment & Sustainability	120	0	0	120
CAP010	Drainage Board Levy	Inflation on Drainage Board Levies	Service Director - Climate, Environment & Sustainability	17	0	0	17
CAP011	Bridges & Structures - Contract Inflation	Inflationary rises to our Framework Contract Rates.	Service Director - Infrastructure & Transport	71	71	55	197
CAP012	Street Lighting Contract Inflation	Contractual inflation for Street Lightening	Service Director - Infrastructure & Transport	63	0	0	63
CAP013	Trading Standards - adjustment for joint service salary related costs	Trading standards duties are delivered through a joint service arrangement with Devon, Plymouth and Torbay Councils, with Devon acting as the host authority. As part of this agreement the Council is required to meet its proportion of the annual changes relating to salary, NI and superannuation costs of the joint service.	Service Director - Economy, Employment & Planning	31	0	0	31
Total Climate & Place				5,315	1,720	2,537	9,571

Reference Number	Title	Description	Service Director	Pressure Amount			
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
Resources & Corporate Services							
RCS001	Investments for Yield	The income in respect of Investment properties is expected to be below budget by up to £2.5m. Mostly due to known voids.	Service Director - Strategic Asset Management	2,500	0	0	2,500
RCS002	Dividend from Battery Storage Investment	Removal of dividend budget as current trading results do not forecast one.	Service Director - Strategic Asset Management	1,700	0	0	1,700
RCS003	Revs and Bens S13 Foster Carers + Care Leavers	Discretionary powers to reduce the amount of Council Tax payable for foster carers and care leavers discounts.	Service Director - Finance & Procurement	276	0	0	276
RCS004	External Audit Scale Fee Increase	Public Sector Audit Appointments (PSAA) have set out the proposed scale fee to reflect the audit work required for the authority for 2023/24 onwards.	Service Director - Finance & Procurement	256	0	0	256
RCS005	Business Rates Increase	Increase in Business Rates budget for anticipated increase for 24/25 by Consumer Price Index (CPI)	Service Director - Strategic Asset Management	255	100	102	456
RCS006	Repairs & Maintenance Inflation	Inflation of around 10-15% has been typical for construction products and materials so far this year - Construction Output Price Indices reported.	Service Director - Strategic Asset Management	139	152	167	459
RCS007	Repairs & Maintenance Inflation	Inflation of around 10-15% has been typical for construction products and materials so far this year.	Service Director - Strategic Asset Management	130	150	165	445
RCS008	Saltlands Solar Park	Removal of income budget from sale of electricity as the solar park project is not being taken forward for delivery at this time.	Service Director - Strategic Asset Management	130	0	0	130
RCS009	Business Rates - County Hall	Revaluation rateable value £1,320,000 at a multiplier of 0.512 £675,840 for 24/25.	Service Director - Strategic Asset Management	88	0	0	88
RCS010	Employee - Notional Growth/Savings	Removal of income budget from legacy Council for the capitalisation of staff costs which is unachievable.	Service Director - Strategic Asset Management	76	0	0	76
RCS011	Contract Inflation - Cleaning Contracts	Forecast increase in cleaning contract costs across all premises	Service Director - Strategic Asset Management	49	19	20	88
RCS012	Water Inflation	Forecast increase in water cost across premises cost centres which fall under Strategic Asset Management.	Service Director - Strategic Asset Management	9	4	4	17
RCS013	Contract Inflation - Cleaning Contracts	Forecast increase in cleaning contracts across premises cost centres which fall outside of Strategic Asset Management	Service Director - Strategic Asset Management	7	3	3	13

Reference Number	Title	Description	Service Director	Pressure Amount			
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
RCS014	Water Inflation	Forecast increase in water cost across other premises costs centres which sit outside of Strategic Asset Management	Service Director - Strategic Asset Management	5	2	2	9
RCS015	Electricity Inflation	Estimated pressure for electricity budgets in 2024/25. Will be revisited at the end of September 2024.	Service Director - Strategic Asset Management	0	334	367	701
RCS016	Gas Inflation	Forecast increased cost of Gas for future years using the current consumption and pricing data available. No forecast pressure in 2024/25.	Service Director - Strategic Asset Management	0	167	184	352
RCS017	Commercial Investment Income	Loss of commercial investment income relating to the sale of the commercial investment portfolio.	Service Director - Strategic Asset Management	1,374	3,404	11,653	16,431
Total Resources & Corporate Services				6,994	4,335	12,667	23,996
Strategy, Workforce & Localities							
SWL001	Member Allowances 2024/25 - 2028/29	Anticipate increase in level of Members Basic Allowance in comparison to Peer Councils, IRP recommends a link between staff pay awards and any increases to members' allowances.	Service Director - Governance, Democratic & Legal	118	0	0	118
Total Strategy, Workforce & Localities				118	0	0	118
Non-Service							
NSV001	Environment Agency Levy	The Environment Agency (EA) levy on the Council to fund its local flood defence programme. Estimated to increase by 2.5% each year.	Service Director - Finance & Procurement	19	20	20	59
Total Non-Service				19	20	20	59
Total Somerset Council Pressures				109,873	45,026	53,605	208,504

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
Adults Services										
ADS011	Approved 2023/24 MTFP	To support people to live independent lives.	The My Life, My Future, Adult Care Transformation Programme will support people to live independent lives.	Efficiency Savings	Low	Service Director - Adult Social Care Operations	(5,000)	0	0	(5,000)
ADS001	New	Maximising fees and charges across Adult Social Care	Digital solution to support efficiencies and effectiveness of collection of fees and charges process.	Income Generation	Low	Service Director - Adult Social Care Operations	(3,400)	0	0	(3,400)
ADS004	New	Service that supports people with a combination of mental health need and substance misuse.	Reduction in contract spend and remodelling the service.	Service Levels	High	Service Director - Adult Social Care Commissioning	(420)	(420)	0	(840)
ADS002	New	Reviewing support for individuals	Priority reviews to be undertaken to ensure the support provided is reflective of individuals needs and outcomes.	Service Levels	Low	Service Director - Adult Social Care Operations	(300)	0	0	(300)
ADS003	New	Reviewing our Supported Living accommodation and Extra Care Housing	Reviewing our Supported Living accommodation and Extra Care Housing to ensure we are maximising the use of the properties making sure these are fit for purpose and decommissioning ones that are no longer suitable for individuals.	Efficiency Savings	Low	Service Director - Adult Social Care Operations	(200)	0	0	(200)
ADS005	New	Learning Disability Supporting Employment Service	Funding reduction from Adult Social Care, working alongside the service provider to seek alternative solutions.	Service Levels	High	Service Director - Adult Social Care Commissioning	(141)	(209)	0	(350)
ADS006	New	Floating Dementia Support Services	Funded contract with Adult Social Care to be stopped individuals will be supported to seek alternative solutions.	Service Levels	Medium	Service Director - Adult Social Care Commissioning	(117)	(23)	0	(140)
ADS007	New	Citizens advice - local assistance scheme	Grant funding is ending, individuals would be supported through community and voluntary services.	Financing of Activities	High	Service Director - Adult Social Care Commissioning	(107)	0	0	(107)
ADS008	New	Information and guidance and support for Older People	Reduction in Adult Social care funding to the service, individuals will be supported to seek support from community and voluntary services.	Financing of Activities	High	Service Director - Adult Social Care Commissioning	(61)	0	0	(61)
ADS009	New	Employment Service - for Carers and individuals with Mental Health needs	Contributing funding from Adult Social Care to be stopped.	Service Levels	High	Service Director - Adult Social Care Commissioning	(34)	(27)	0	(61)
ADS010	New	Key Ring Service	Funded contract with Adult Social Care to be stopped individuals will be supported to seek alternative solutions.	Service Levels	Low	Service Director - Adult Social Care Commissioning	(28)	(6)	0	(33)
ADS012	Approved 2023/24 MTFP	Use of Government grant to fund preventative services	Use of Government grant to fund preventative activities within Adult Services.	Financing of Activities	Low	Service Director - Adult Social Care Commissioning	0	(900)	0	(900)
Total Adults Services							(9,808)	(1,585)	0	(11,392)
Children, Families and Education										
CFE012	New	New homes for young people aged 16 to 25 years who are ready to live in supported accommodation on their journey towards independent living	The Council has established new contracts for housing related support and accommodation for young people over 16. The providers are YMCA Brunel Group and YMCA Dulverton Group. This new 16+ services will support higher levels of need and are therefore more cost-effective, as well as improving outcomes for young people on their journey to independence.	Efficiency Savings	High	Service Director - Children's Commissioning	(3,386)	0	0	(3,386)
CFE013	New	Support children and young people in a loving Homes & Horizons home	The Council entered a strategic partnership with the Shaw Trust in 2022, with a plan to build 8 to 10 new homes for children and young people as well as providing therapeutic education and high-needs fostering. The service is called Homes & Horizons and provides loving homes for children and young people with the most complex needs, that other providers are unwilling to support. By supporting an average of 15 to 16 young people in Homes & Horizons in 2024/25, there is a saving of £1.72m, as well as better care and outcomes for those children. This saving is in addition to the previous projection PYS CS-05 due to improving performance of the Homes & Horizons programme.	Efficiency Savings	High	Service Director - Children's Commissioning	(1,715)	0	0	(1,715)
CFE014	New	Support eight young people in care who are currently living in residential homes, who are ready to live in supported accommodation on their journey towards independent living	The Council has established new contracts for housing related support and accommodation for young people over 16. The providers are YMCA Brunel Group and YMCA Dulverton Group. This new 16+ service will support higher levels of need and will be able to support these 8 young people to move forward into this accommodation from residential care	Efficiency Savings	High	Service Director - Children's Commissioning	(1,586)	0	0	(1,586)

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
CFE015	Approved 2023/24 MTFP	Reduction in the cost of providing residential placements for Children in Care	Children in Care in external residential placements will move to new in-house residential homes, run through the strategic partnership with The Shaw Trust.	Alternative Service Delivery	Medium/ High	Service Director - Children & Families	(1,109)	(469)	0	(1,577)
CFE003	New	Fund the Virtual School for Children in Care using the Pupil Premium Plus grant	Use Pupil Premium Plus grant to fund staff in the virtual school so that the team does not require funding from other sources.	Financing of Activities	Low	Service Director - Inclusion	(410)	0	0	(410)
CFE001	New	More efficient delivery of home to school travel	Transformation programme to focus on more efficient delivery of school transport and promotion of independent travel.	Efficiency Savings	Medium	Service Director - Inclusion	(325)	(500)	0	(825)
CFE002	New	The Council will deliver a greater proportion of the support provided to Early Years settings through centrally retained funding, reducing its use of external partners.	Currently, a significant proportion of centrally retained Early Years funding is paid to external partners and bodies to deliver various support, training and CPD activities to providers. It is intended, following consultation, that the Council provides these services using current resources to achieve a budget saving.	Service Levels	Low	Service Director - Education, Partnerships & Skills	(398)	0	0	(398)
CFE005	New - Subject to completion of staff consultation	Educational Psychology Service Budget Reduction	Ceasing agency contract with agency supplier of workers and reduction in establishment, mainly through non-renewal of contracts.	Service Levels	Low	Service Director - Inclusion	(141)	(64)	0	(205)
CFE004	New - Subject to completion of staff consultation	Reduction of four of nine vacant posts in the Special Educational Needs (SEND) team.	New posts were established in the 2023/24 budget to recognise the need to meet increasing demand in the SEND area. Five posts will continue to be recruited to meet this additional need with the remaining vacant posts removed from the budgeted establishment.	Efficiency Savings	Medium	Service Director - Inclusion	(132)	0	0	(132)
CFE006	New	External funding for the service to support young people who are at risk of not being in education, training or employment post 16	To replace the Council contribution to funding with external funding from the Shared Prosperity fund.	Income Generation	Medium	Service Director - Inclusion	(100)	0	0	(100)
CFE007	New	SEND delivery of Education Health & Care Plans	Using Council staff to draft all education, health and care assessments and plans instead of using an external contractor	Service Levels	Low	Service Director - Inclusion	(125)	0	0	(125)
CFE011	New	Support five children in care who are currently living in residential homes to move to a foster family so they experience a caring family home	The Council is recruiting more foster carers to support children and young people in a family home. This additional capacity means we can move five young people who are currently in a residential home to the fostering home in 2024/25. As well as better outcomes for these young people by matching them to carers, there will be a financial saving of £1.07m. £1m saving has already been taken from the budget, £67k is the remaining balance.	Efficiency Savings	High	Service Director - Children's Commissioning	(67)	0	0	(67)
CFE009	New	Stop out of hours security checks for three Somerset Council supported accommodation homes for young adults aged 18+	Termination of Leaving Care Out of Hours Security & Concierge externally commissioned service. The 2023 Supported Accommodation Regulations are applicable only to 16/17 year olds, therefore our current commissioned service providing overnight property checks for our homes for 18 year old care leavers and older, is not statutory.	Efficiency Savings	High	Service Director - Children's Commissioning	(35)	0	0	(35)
CFE010	New	Special Guardianship Support	By training our inhouse Emotional Health & Well-Being Service to deliver a wider range of therapies, we can apply to the Adoption Support Fund (ASF) for funding to deliver services for our children that we would normally have to buy in / commission. We anticipate this being an ongoing saving BUT have submitted it as a one off as the Adoption Support Fund has only been agreed until March 2025.	Income Generation	Low	Service Director - Children & Families	(30)	0	0	(30)
CFE008	New	Mind of My Own	Not recommission Mind of My Own contract from 01/04/2024. Usage of Mind of My Own app has remained low and the extensive promotion campaigns and training have resulted in little impact for children. Children and young people choose to use other apps to contact their social worker / leaving care worker at no cost to the council.	Service Levels	Low	Service Director - Children & Families	(11)	0	0	(11)
CFE016	Approved 2023/24 MTFP	Use of Government grant to fund preventative services	Use of Government grant to fund preventative activities within Children's Services.	Financing of Activities	Low	Service Director - Children & Families	0	(900)	0	(900)
Total Children, Families and Education							(9,568)	(1,933)	0	(11,501)

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
Community Services										
CMS052	New	Contributions towards the CCTV Service	Somerset Council has been offered contributions from various town councils to ensure the continuation of the CCTV service.	Income Generation	Low	Service Director - Regulatory & Operations	(489)	0	0	(489)
CMS014	New	Closure of all Council owned public toilets.	Closure of all Council-owned public toilets exploring devolution to City, Town and Parish Councils.	Service Levels	Low	Service Director - Regulatory & Operations	(301)	0	0	(301)
CMS030	New	Reduction in operational budgets in Operational Services	A reduction of 20% or complete removal of budget across specific maintenance and operational budgets within Operational Services. Many of these budgets can be reduced due to Local Government Reform and will therefore not impact on service delivery.	Efficiency Savings	Low	Service Director - Regulatory & Operations	(199)	0	0	(199)
CMS044	Approved 2023/24 MTFP	Lifeline Services - alignment of fees and charges for new customers from April 2023	Increase in fees and charges of 10% for Lifeline Customers. This modelling is reflects a phased harmonisation of fees across new and existing customers and assumes a 1% growth in service demand.	Income generation	Medium	Service Director - Customers	(195)	0	0	(195)
CMS022	New - Subject to completion of staff consultation	Continued temporary closure of the Octagon Theatre in Yeovil	The Octagon Theatre is currently closed on a temporary basis pending capital development.	Service Levels	Medium	Service Director - Culture	(174)	0	0	(174)
CMS029	New	Pause of Play Area Replacement Programme across Somerset	Throughout 2024/25 no new play equipment will be installed unless it is externally funded. A play area maintenance budget will remain to repair dangerous equipment only.	Service Levels	Low	Service Director - Regulatory & Operations	(168)	0	0	(168)
CMS005	New	Registration Ceremony inflationary fees and charges increase from 1st April 2024	Review and increase in line with inflation. Non-statutory Fee's and Charges.	Income Generation	Low	Service Director - Regulatory & Operations	(150)	80	0	(70)
CMS038	New	Westlands Entertainment Venue - changes to operation of service	Savings could be achieved from changing the operation of the service to ensure the business is more viable.	Service Levels	Medium	Service Director - Culture	(116)	0	0	(116)
CMS053	New - Subject to completion of staff consultation	Funding for Taunton Visitor Information centre	Service to be funded by full cost contribution from Taunton Town Council for Taunton Visitor Information Centre	Income Generation	Low	Service Director - Culture	(114)	0	0	(114)
CMS020	New - Subject to completion of staff consultation	Devolve Yeovil Recreation ground to Yeovil Town Council	This saving proposes to devolve Yeovil Recreation Ground to Yeovil Town Council. If this cannot be achieved by 1st August 2024, Somerset Council will revert back to reducing the leisure facilities as below: The closure of managed sport and leisure facilities at Yeovil Recreation Centre including most outdoor sports facilities and the leisure facilities in the Jon O'Donnell Pavilion building. Green spaces on site, the tennis courts, children's play area and multi-use games area are proposed to remain open to the public. The cafe on site is not included in this proposal and is being considered separately.	Alternative Service Delivery	Medium	Service Director - Culture	(110)	(55)	0	(165)
CMS035	New	Taunton Crematorium Fee Increase	Increase of fees at Taunton Crematorium.	Income Generation	Low	Service Director - Regulatory & Operations	(108)	0	0	(108)
CMS034	New	Unused sport and development budget	Consolidation of former Council budgets. Following review the budgets are no longer needed as projects have completed and as such offered up as a saving.	Efficiency Savings	Low	Service Director - Culture	(85)	0	0	(85)
CMS024	New	Reduce discretionary cultural budget	Reducing this discretionary budget will mean the Council can only provide minimal grant funding.	Service Levels	Low	Service Director - Culture	(71)	0	0	(71)
CMS025	New - Subject to completion of staff consultation	Closure of South Somerset Visitor Information Centre	Closure of the Visitor Information Centre at Cartgate.	Service Levels	Medium	Service Director - Culture	(53)	0	0	(53)
CMS040	New - Subject to completion of staff consultation	Closure of Yeovil Nursery and reducing planting across Somerset Council Parks	Closure of nursery operations at Yeovil and reducing the planting across Somerset Council Parks, using plants/shrubs brought in, not grown	Service Levels	Low	Service Director - Regulatory & Operations	(52)	(17)	0	(69)
CMS042	Approved 2023/24 MTFP	Contract rationalisation for grounds maintenance contracts	Providing ground care services internally for the areas covered previously by Mendip and Somerset West and Taunton Councils	Efficiency Savings	High	Service Director - Regulatory & Operations	(50)	0	0	(50)
CMS043	Approved 2023/24 MTFP	Contract rationalisation for street cleansing contracts	Providing street cleansing services internally for the areas covered previously by Mendip and Somerset West and Taunton Councils	Efficiency Savings	Medium	Service Director - Regulatory & Operations	(50)	0	0	(50)
CMS039	New - Subject to completion of staff consultation	Closure of Taunton Nursery and reducing planting across Somerset Council Parks	Closure of nursery operations at Taunton and reducing the planting across Somerset Council Parks, using plants/shrubs brought in, not grown	Service Levels	Low	Service Director - Regulatory & Operations	(47)	(16)	0	(63)

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
CMS001	New	Remove historical (Somerset West and Taunton) grants to Parishes for open spaces maintenance	The proposal is to cease providing grants to 47 Parish Councils that have been used to support maintenance of footpaths and playing fields (not on Somerset Council Land). These parishes will need to submit a request through their parish precept.	Service Levels	Low	Service Director - Regulatory & Operations	(40)	0	0	(40)
CMS004	New	Cease funding for Operation Clean Sweep	Operation Clean Sweep was a programme in the former Somerset West and Taunton area. The funding for this is no longer required as the scheme has ceased.	Efficiency Savings	Low	Service Director - Regulatory & Operations	(40)	0	0	(40)
CMS037	New	Increase in Environmental Health Fees and Charges	Annual Increase in Fees and Charges for Licensing and Environmental Health. Proposed Fee increases, estimated additional income.	Income Generation	Low	Service Director - Regulatory & Operations	(36)	0	0	(36)
CMS006	New	Remove Relief Staff Budget in Statutory Libraries	The libraries relief staff budget is used to cover staff sickness and leave, this budget will be removed offering less cover for unplanned absences.	Service Levels	Low	Service Director - Culture	(25)	0	0	(25)
CMS033	New	Environmental Health budget reductions	Environmental Health budget reductions. These reductions relate to reducing an agency budget and other shared LGR savings so will not impact on service delivery.	Efficiency Savings	Low	Service Director - Regulatory & Operations	(24)	0	0	(24)
CMS003	New	Somerset Scientific Services inflationary fees and charges increase for analysing samples from 1st April 2024	The fee charged when analysing samples (e.g. water) has been reviewed. The proposal is to increase the charge for this service by the Consumer Prices Index at 6.8%. Original income budgets are £336,800 at 6.8% = £22,900.	Income Generation	Low	Service Director - Regulatory & Operations	(23)	23	0	0
CMS002	New	Remove historical (Somerset West and Taunton) Grants to Parishes for bereavement services	The proposal is to cease providing grants to 47 Parish Councils that have been used to support maintenance of burial grounds. These parishes will need to submit a request through their parish precept.	Service Levels	Low	Service Director - Regulatory & Operations	(20)	0	0	(20)
CMS019	New	Minor Reductions to Statutory Library Service budgets	Reduction of several small budget streams, including catering, furniture and equipment, promotions and projects, will have no adverse impact on the delivery of library services.	Efficiency Savings	Low	Service Director - Culture	(18)	0	0	(18)
CMS054	New	Funding for Parish Ranger scheme (South area)	Service to be fully funded by the relevant Parish Councils.	Income Generation	Low	Service Director - Regulatory & Operations	(16)	(5)	0	(21)
CMS055	New	Funding for overnight locking and morning reopening of Wellington, Blenheim and Vivary parks	Service to be funded by Town Councils for the locking and reopening service that is currently carried out by an external contractor.	Income Generation	Low	Service Director - Regulatory & Operations	(15)	0	0	(15)
CMS023	New	Phased reduction of funding to Taunton Brewhouse	The Council owns the freehold for Taunton Brewhouse operated on the Council's behalf by tenants. This proposal would see a reduction in grant funding to complete cessation by April 2025.	Service Levels	Medium	Service Director - Culture	(13)	(119)	0	(132)
CMS021	New	Cease funding to Burnham swimming pool	Cease revenue funding that was awarded in 2008 to a previous incumbent local operator of Burnham Pool to support swimming provision. The pool is now leased by the previous incumbent to Legacy Leisure whom would no longer receive this funding.	Service Levels	Low	Service Director - Culture	(12)	0	0	(12)
CMS046	Approved 2023/24 MTFP	Increased Berron & Brean Beach Parking fees	An annual increase of 50p for car parking at Berron and Burnham Beaches.	Income generation	Medium/ High	Service Director - Regulatory & Operations	(12)	(12)	(12)	(36)
CMS031	New	Fees and Charges - Annual inflationary increases Minehead Harbour Fees	Annual inflationary fee's and charges increases to Harbour Fees (Minehead).	Income Generation	Medium	Service Director - Regulatory & Operations	(11)	0	0	(11)
CMS016	New	Cease provision of temporary toilets for Bridgwater Carnival	The Council will no longer fund the hire of temporary toilets for the Bridgwater Carnival.	Service Levels	Low	Service Director - Regulatory & Operations	(9)	0	0	(9)
CMS017	New	Cease providing barrier protection around some of the open spaces around the Bridgwater Carnival route during the procession.	There will no longer be barrier protection provided for open spaces along the Bridgwater Carnival procession route.	Service Levels	Low	Service Director - Regulatory & Operations	(7)	0	0	(7)
CMS032	New	Fees and Charges - Beach Parking at Berron and Brean Beaches	Increases to Beach Parking charges at Berron and Brean Beaches.	Income Generation	Medium	Service Director - Regulatory & Operations	(7)	0	0	(7)

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
CMS036	New	Cemeteries Fee Increase - Somerset East	Increase of fees. Cemetery fees in Somerset East.	Income Generation	Low	Service Director - Regulatory & Operations	(6)	0	0	(6)
CMS013	New - Subject to completion of staff consultation	In sourcing of street cleaning and grounds maintenance.	In-source all street cleansing and ground care in the old Mendip District, and street cleansing in the old Somerset West and Taunton District, that is currently outsourced to a contractor, IDVerde. Notice would be given to contractor in April 2024 with service moving to in-house in November 2024 (Somerset West) and July 2025 (Mendip).	Alternative Service Delivery	Low	Service Director - Regulatory & Operations	0	(250)	0	(250)
CMS027	New - Subject to further consultation / decision making	Review the delivery of the Heritage Service to deliver a minimum service	The heritage service would be reviewed to deliver a minimum service.	Service Levels	Medium	Service Director - Culture	0	(150)	0	(150)
CMS028	New - Subject to completion of staff consultation	Remove public access to South Somerset Heritage Collection	Close South Somerset Heritage Collection removing public access to the facility from April 2025.	Service Levels	Medium	Service Director - Culture	0	(37)	0	(37)
CMS007	New	Consider the removal of the Performing Arts Library in Yeovil from the Statutory Library Services	Commence discussions with Department for Digital, Culture, Media & Sport for changes to service approach from 2025/26, prior to a public consultation.	Service Levels	Medium	Service Director - Culture	0	0	0	0
CMS008	New - Subject to further consultation / decision making	Consider the Removal of the Statutory Mobile Library Service	Commence discussions with Department for Digital Culture, Media and Sport to change service approach from 2025/26, ceasing the mobile library service, prior to a needs analysis and public consultation.	Service Levels	High	Service Director - Culture	0	0	0	0
CMS009	New - Subject to further consultation / decision making	Consider reducing statutory core library opening hours	Commence discussion with Department for Digital, Culture, Media and Sport for changes to service approach from 2025/26 to reduce total opening hours across core libraries by 10%. Note this savings proposal is the preferred alternative to saving CMS-010 and CMS-011.	Service Levels	Medium	Service Director - Culture	0	0	0	0
CMS010	New - Subject to further consultation / decision making	Consider Reducing Statutory Core Libraries Network (maximum)	This proposal is to commence discussions with the Department of Culture, Media and Sport for changes to service approach from 2025/26 to reduce the core library network (either library closures or transferring to an alternative delivery model). £380k for 25/26.	Service Levels	High	Service Director - Culture	0	0	0	0
CMS011	New - Subject to further consultation / decision making	Consider Reducing Statutory Core Libraries Network (minimum)	This proposal is to commence discussions with the Department of Culture, Media and Sport for changes to service approach from 2025/26 to reduce the core library network. £50k 25/26.	Service Levels	Medium	Service Director - Culture	0	0	0	0
Local Community Services							(2,866)	(558)	(12)	(3,437)
Climate & Waste										
CAP010	New - Subject to further consultation / decision making	Make savings from the Core Contract for Household Waste Recycling Centres	The rationale behind the change of wording is to allow for ongoing commercial negotiations with the contractor to secure the most favourable outcome. At this stage we cannot rule in or rule out the closure of any sites and won't until we have completed our commercial negotiations. Any changes that impact the public service will be fully consulted on.	Service Levels	High	Service Director - Climate, Environment & Sustainability	(883)	(80)	0	(963)
CAP025	New	Increase in fees for Traffic Regulation Orders (TROs) to cover corporate overheads	Increase in TRO fees to recover corporate overheads - at an additional £10 per hour.	Financing of Activities	Low	Service Director - Infrastructure & Transport	(460)	0	0	(460)
CAP009	New	Economic Development activity spend reduction	Rationalisation of economic development revenue activity expenditure following integration of service post local government reorganisation. This involves the efficiency benefits of integration of the service, focussing of spend on core functions (including economic assessment, business support, third party contributions, inward investment and essential policy and strategic requirements) and releasing as a saving non core expenditure provision.	Service Levels	Low	Service Director - Economy, Employment & Planning	(450)	0	0	(450)
CAP022	New	Increasing parking charges in line with inflation	Increase in Parking charges in line with inflation.	Income Generation	Medium	Service Director - Infrastructure & Transport	(400)	0	0	(400)
CAP032	New	Reduction in highway maintenance and devolution of service	Undertaking certain routine highway maintenance activities less often such as emptying gullies or cutting grass. The maintenance policy and planned works schedule for specific activities will be amended to reduce the amount of intervention by Somerset Council operatives. We will work with Parish Councils and communities to empower them to undertake some of this work themselves, such as through identifying and training local skilled people and providing access to contracts to purchase their own services where necessary.	Service Levels	High	Service Director - Infrastructure & Transport	0	(203)	0	(203)

Page 27 of 27

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
CAP008	New	Planning fees income	Increase in target for planning fee income based on assessment of current profile of income from development management services delivered by the Council.	Income Generation	Medium	Service Director - Economy, Employment & Planning	(300)	0	0	(300)
CAP018	New	Recover costs of infrastructure programmes through an increase in rates	Increase the charge out rates for highways capital activity, which will remove the requirement for revenue budget. This also creates budget headroom to enable the service to provide engineering advice at the project initiation stage without directly charging.	Financing of Activities	Low	Service Director - Infrastructure & Transport	(275)	0	0	(275)
CAP030	Approved December 2023 Executive	Taunton Park and Ride Service	Utilise surplus income from town centre parking charges to run this public transport service, and deliver a service that is fully funded from fees and charges. Note: Decision already taken at 6th December Executive.	Financing of Activities	Low	Service Director - Infrastructure & Transport	(220)	(220)	0	(440)
CAP026	New	Capitalisation of staff costs - regeneration programmes	Capitalisation of staff into externally funded projects.	Financing of Activities	Low	Service Director - Economy, Employment & Planning	(216)	60	0	(156)
CAP014	New	Income generation - Waste	Increased income for waste collection due to increase in demographics - relating to garden waste and bulky waste.	Income Generation	Low	Service Director - Climate, Environment & Sustainability	(205)	(185)	0	(390)
CAP011	New	Reduction in the number of Waste Vehicles	Following the successful roll out of Recycle More we are in a position to rationalise our fleet.	Efficiency Savings	Low	Service Director - Climate, Environment & Sustainability	(202)	0	0	(202)
CAP033	New	Fleet - Consolidation, Rationalisation and reallocation	This saving proposes to implement a new vehicle usage policy which will rationalise the current fleet, maximise the use of in-house fleet and make service efficiencies	Asset Management	High	Service Director - Infrastructure & Transport	(200)	(800)	0	(1,000)
CAP003	New	Reduction in maintenance budget for 20 miles an hour when lights show signs	There is £200k allocation for maintenance of the 20 when light show assets. As this capital programme was only completed this year, it is unlikely that the full maintenance budget will be required therefore, we are able to offer up a proportion of this maintenance allocation for savings for this year only.	Efficiency Savings	Low	Service Director - Infrastructure & Transport	(175)	175	0	0
CAP019	New	Tourism Related Savings	This proposal comprises ceasing of spend across two separate service directorates, as follows: Economy, Employment & Planning (EEP) - Cease £96,900 of tourism spend supporting the marketing and development of Somerset's visitor economy in 2024/25. Culture - Operational savings of £72,000 removing Tourism South specific marketing support which includes Council managed print and digital activity.	Service Levels	Medium	Service Director - Economy, Employment & Planning Service Director - Culture	(169)	0	0	(169)
CAP046	New	Contractual Changes - Waste	Contractual changes related to the guaranteed minimum annual tonnage for residual waste in Somerset to our Contractor (Viridor) or seeking alternative EFW disposal routes above the current minimum annual tonnage floor.	Efficiency Savings	High	Service Director - Climate, Environment & Sustainability	(153)	0	0	(153)
CAP023	New	Reduction in Road Safety (& Transport data) budget	Reduction in the Road Safety & Transport Data budget. This will include the reduction in project work and deletion of 2 vacant posts along with recharging/cost recovery	Service Levels	Medium	Service Director - Infrastructure & Transport	(150)	0	0	(150)

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
CAP024	New	Forecasted increase in income for Street Works	The income for Street Works varies depending on demand and compliance with national legislation. Although it cannot be guaranteed, we expect to receive more than the £91K forecast based on the income given over the past three years.	Income Generation	Low	Service Director - Infrastructure & Transport	(110)	0	0	(110)
CAP005	New	Reduction of Highways Assets Commissioning Posts	Reduce number of commissioning posts to reflect reduced need for highway commissioning resource following award of long-term contracts (8-10 years) which formed the bulk of the work for these posts. Delete two posts. One at Grade 10 and one at Grade 7.	Efficiency Savings	Low	Service Director - Infrastructure & Transport	(102)	0	0	(102)
CAP016	New	Building Control income	Increase in TRO fees to recover corporate overheads - at an additional £10 per hour.	Income Generation	Low	Service Director - Economy, Employment & Planning	(100)	0	0	(100)
CAP047	New	Funding two posts from time-limited Levelling up grant	Funding of one Grade 10 post and one Grade 7 post using time-limited external Levelling up front grant provided by DHLUC to support us in delivering LUF schemes. The grant will fund approximately 70% of the cost of the posts and the rest can be made up by charging time to a range of capital programmes including the LUF programme and the A38 MRN major scheme which the team are also progressing.	Financing of Activities	High	Service Director - Infrastructure & Transport	(90)	0	0	(90)
CAP028	New	Reallocating funding so that Two Active Travel Posts are funded from a Department for Transport capability Fund instead of through the Somerset Council revenue budget	Funding of two posts from a Department for Transport active travel capability fund grant instead of from Somerset Council revenue budget.	Financing of Activities	Medium	Service Director - Infrastructure & Transport	(90)	90	0	0
CAP045	New - Subject to completion of staff consultation	Devolve Yeovil Country Park to Yeovil Town Council	Proposal to devolve Yeovil Country Park to Yeovil Town Council including the transfer of the asset, service and staffing.	Alternative Service Delivery	Medium	Service Director - Climate, Environment & Sustainability	(80)	(40)	0	(120)
CAP013	New	Contractual change - Waste	Following the successful introduction of Recycle More we will now be able to reduce contractual payment to contract provider.	Efficiency Savings	Low	Service Director - Climate, Environment & Sustainability	(70)	0	0	(70)
CAP027	New	Reduction in transport policy posts	Removal of two posts in the transport policy team reducing the team by 50%.	Efficiency Savings	High	Service Director - Infrastructure & Transport	(35)	0	0	(35)
CAP039	Approved 2023/24 MTFP	Economic Development - integrated operating model for workspace	Generation of operating efficiencies and net income growth by aggregating the small business workspace of the five Councils under a single transformed operating model.	Efficiency Savings	Medium/ High	Service Director - Economy, Employment & Planning	(60)	(15)	0	(75)
CAP029	New	Reallocating funding so that a Commissioning Service manager post is funded from a Department for Transport Public Transport Capability Grant instead of the Somerset Council Revenue Budget.	Funding the post of transport commissioning service manager from Department for Transport public transport capacity grant instead of from Somerset Council revenue budget.	Financing of Activities	Low	Service Director - Infrastructure & Transport	(54)	54	0	0
CAP020	New	Recharge of Salary to LNRS Grant	The salary of the office leading the work on Local Nature Recovery will be charged to the grant, thus making a revenue saving from Climate budget.	Financing of Activities	Low	Service Director - Climate, Environment & Sustainability	(53)	0	53	0
CAP001	New - Subject to further consultation / decision making	Replacement of Black Recycling Box with a lower cost alternative.	When providing new or replacement rigid plastic 55l Black Recycling box they will be replaced with a lower cost polypropylene flexible alternative that is similar in construction to the existing Blue Bag used for the collection of mixed cans and plastics. The proposed variant will be used to for the collection of Cardboard and Paper.	Efficiency Savings	High	Service Director - Climate, Environment & Sustainability	(50)	(10)	0	(60)
CAP012	New	Introduction of a countywide booking/permit scheme for household recycling centres	The introduction of a countywide permit booking scheme to allow Somerset residents only to access the Recycling Site network provided by the Council. This would prevent access to the sites by non residents and therefore reduce the amount of waste & cost of running the sites.	Alternative Service Delivery	Medium	Service Director - Climate, Environment & Sustainability	(44)	(191)	0	(235)
CAP007	New - may require staff consultation	School Crossing Patrols	Stop funding School Crossing Patrols.	Service Levels	High	Service Director - Infrastructure & Transport	(20)	20	0	0
CAP036	Approved 2023/24 MTFP	Bridges - Contract Inflation	Managing the works contract inflation costs within the existing budget, by reducing the delivery of non-essential schemes.	Service Levels	High	Service Director - Infrastructure & Transport	(36)	(16)	(16)	(68)

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
CAP034	Approved 2022/23 MTFP	Advertising on roundabouts and Council vehicles.	Provide an advertising service to enable businesses and internal clients to advertise on highway assets, including roundabouts and fleet.	Income generation	Low	Service Director - Infrastructure & Transport	(25)	0	0	(25)
CAP021	New	Recharge of Salary – BNG	The salary of the ecologist leading work on Biodiversity Net Gain will be charged to the grant making a revenue saving to the Ecology budget.	Financing of Activities	Low	Service Director - Climate, Environment & Sustainability	(23)	(23)	45	0
CAP006	New	Reduce funding for Transport Assessment Review and Modelling Advice	Reduce contract spend by further reducing the amount of consultancy advice utilised (e.g. for traffic modelling advice) when responding to developer transport assessments associated with planning applications.	Efficiency Savings	Medium	Service Director - Infrastructure & Transport	(17)	0	0	(17)
CAP035	Approved 2023/24 MTFP	Additional Park and Ride income	Additional income received via the Bus Service Improvement Plan grant that also enables a reduction in the charges.	Income generation	Low	Service Director - Infrastructure & Transport	(17)	26	189	197
CAP017	New	Do I need planning permission - reintroduce charge	Reintroduce a charge for residents requiring advice as to whether or not a proposed development requires planning permission.	Income Generation	Low	Service Director - Economy, Employment & Planning	(10)	0	0	(10)
CAP015	New	Internal order advertising	Current regulations specify that modification and public path orders have to be advertised in a local newspaper. This has a cost attached to it. As part of the RoW reforms package that DEFRA are overseeing, such advertising will switch to online (SC website). For internal public path orders (SC is applicant) and for modification orders this change will represent a saving.	Efficiency Savings	Low	Service Director - Infrastructure & Transport	(4)	(4)	0	(8)
CAP038	Approved 2023/24 MTFP	Economic Development - fees and charges from the Somerset Business Hub	Scaling up the countywide Mendip Hub business engagement model. This will enable additional income from training and support services and introductions to the Trading Standards Primary Authority function.	Income generation	Medium	Service Director - Economy, Employment & Planning	(4)	0	0	(4)
CAP037	Approved 2023/24 MTFP	Trading Standards - reduced premises requirements at Chelston Depot	Reduction in the amount of premises used by the joint Trading Standards service at the Chelston Depot. This will enable part of the space to be released for commercial letting. Trading Standards will retain a residual presence linked to metrology lab and storage needs.	Income generation	Low	Service Director - Economy, Employment & Planning	(3)	0	0	(3)
CAP040	Approved 2023/24 MTFP	Charging for Fire Risk Assessments	Charging for Fire Risk Assessments.	Income generation	Medium/ High	Service Director - Economy, Employment & Planning	(2)	0	0	(2)
CAP041	Approved 2023/24 MTFP	Charging for Standard Assessment Procedures (SAP) & Air Testing	Charging for Standard Assessment Procedures (SAP) & Air Testing.	Income generation	Medium/ High	Service Director - Economy, Employment & Planning	(2)	0	0	(2)
CAP042	Approved 2023/24 MTFP	Charging Simplified Building Energy Model (SBEM)	Charging Simplified Building Energy Model (SBEM).	Income generation	Medium/ High	Service Director - Economy, Employment & Planning	(2)	0	0	(2)
CAP043	Approved 2023/24 MTFP	Charging for Energy Performance Certificates	Charging for Energy Performance Certificates.	Income generation	Medium/ High	Service Director - Economy, Employment & Planning	(1)	0	0	(1)
CAP031	New	Removing letters as a channel for Garden Waste Renewals	The Garden Waste service has around 64,000 annual subscribers, over the past few years since the implementation stride have been taken to channel shift renewal reminders from letters to email renewals. As is, around 10% of all re-subscriptions do not provide an email address to allow an email resubscription notification to be sent. We propose that during the next re-subscription period we notify all remaining postal customers that this channel is being removed and request that an email is provided to ensure all future notifications are undertaken by email. Customers will be able to contact the council by phone in relation to resubscriptions.	Efficiency Savings	Low	Service Director - Climate, Environment & Sustainability	0	(8)	0	(8)
CAP044	Approved 2023/24 MTFP	Charging for Local Authority Building Control Warranties Sound tests	Charging for Local Authority Building Control Warranties Sound tests.	Income generation	Low	Service Director - Economy, Employment & Planning	0	(2)	0	(2)

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
CAP002	New - Subject to further consultation / decision making	Review of subsidy for contracted bus services within the County	Review of the subsidy required for contracted buses services. The Council has a statutory obligation to secure the provision of such public passenger transport services as we consider it appropriate to secure to meet any public transport requirements within the county which would not in our view be met by the commercial market. Sometimes referred to as 'socially necessary' services. In making any significant changes to supported service provision to assist in balancing the Council's budget and the on-going budget challenges that the Council faces; it will be important that the council has considered the relative impact of any changes in the context of the full range of services that it has a duty to provide, and considers it appropriate to make these changes as part of a re-balancing of allocation of funds to manage competing risks across the authority.	Service Levels	High	Service Director - Infrastructure & Transport				
							0	0	0	0
Total Climate & Place							(5,559)	(1,373)	271	(6,661)
Resources & Corporate Services										
RCS012	New	Increase in the Government Council Tax admin grant	Increase in the Government Council Tax admin grant.	Income Generation	Low	Service Director - Finance & Procurement	(570)	0	0	(570)
RCS014	New	Reduction in energy costs - Electricity	Reduction in energy costs across the estate due to improved pricing, energy efficiency measures and investment in decarbonisation / energy efficiency / on site renewables at key sites.	Efficiency Savings	Medium	Service Director - Strategic Asset Management	(350)	0	0	(350)
RCS015	New	Reduction in energy costs (gas) - decarbonisation and energy efficiency	We are projecting a reduction in gas costs, due to a combination of reduced consumption through energy efficiency and decarbonisation projects and improvements in heating controls across the estate.	Efficiency Savings	Medium	Service Director - Strategic Asset Management	(325)	0	0	(325)
RCS028	Approved 2023/24 MTFP	Property Rationalisation and running costs	Savings in premises running costs from property rationalisation, disposal and asset transfer or divestment. These savings will be delivered through reviews of the Council's property estate and asset devolution initiatives.	Asset Management	Medium	Service Director - Strategic Asset Management	(225)	(200)	0	(425)
RCS013	New	Reduce cleaning specification at larger sites	Frequency and extent of cleaning will be reduced at main office and other larger council sites (note that this does not include schools). Impacts are not considered significant.	Service Levels	Low	Service Director - Strategic Asset Management	(188)	0	0	(188)
RCS001	New	Revenues & Benefits Budget Realignment from LGR	The various Revenues & Benefits budgets have been worked through in detail. This exercise has identified significant budget pressures relating to staffing costs, print & post costs & Council Tax Section 13A 1(c) discounts. However, we have also identified key underspends & that the income predictions in the budget are significantly understated. The budgets have been restructured to accurately reflect the income we should receive (through various Govt. grants & court fees). This budget restructuring enables the budget pressures to be absorbed within the budget and provides a net saving.	Income Generation	Low	Service Director - Finance & Procurement	(100)	0	0	(100)
RCS007	New	Change the support contract for Microsoft software	Purchase support for Microsoft Software from lower cost resellers.	Efficiency Savings	Low	Service Director - Information Communication Technology	(100)	0	0	(100)
RCS017	New	Council Tax & Business Rate Court Costs	Council Tax and Business Rates legislation allows us to apply to the Magistrates Court for court costs to cover our costs in making applications for Liability Orders in instance where people have not paid as required. Our actual costs will increase next year due to a variety of factors and consequently it is reasonable for us look to increase the costs figure. The current figures is £76.00 and we are recommending an increase to £81.00, which equates to a 6.6% increase, which is in line with inflation.	Income Generation	Low	Service Director - Finance & Procurement	(100)	0	0	(100)
RCS006	New	Reduction in Microsoft licences to reflect a smaller workforce	The saving is based on a headcount reduction of 300 staff from 1st April 2024 at a licence cost of £300 per user.	Efficiency Savings	Low	Service Director - Information Communication Technology	(90)	0	0	(90)
RCS011	New	Removal of BT Exchange lines	Review all current BT exchange lines and circuits across all former authorities and identify connections to be ceased.	Efficiency Savings	Low	Service Director - Information Communication Technology	(76)	0	0	(76)
RCS009	New	Consolidation of support for the Environmental Health case management system	The contract for external hosting of one of the previous case management systems will not be renewed delivering an efficiency saving.	Efficiency Savings	Low	Service Director - Information Communication Technology	(75)	0	0	(75)

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
RCS005	New	Reduce ICT Operational support contracts	Reduction and removal of services utilised by ICT operational management and technical teams.	Efficiency Savings	Low	Service Director - Information Communication Technology	(50)	0	0	(50)
RCS020	Approved 2023/24 MTFP	Consolidation of Maintenance and Facilities Management Services.	Consolidation of Maintenance and Facilities Management Services reducing costs	Efficiency Savings	Low	Service Director - Strategic Asset Management	(50)	0	0	(50)
RCS027	Approved 2023/24 MTFP	Use of new communication software	Savings from decommissioning Skype environment.	Alternative Service Delivery	Low	Service Director - Information Communication Technology	(50)	0	0	(50)
RCS021	Approved 2023/24 MTFP	Savings in the cost of Internal Audit	Reduced contract cost for internal audit as a consequence of Local Government Reorganisation in Somerset.	Efficiency Savings	Medium	Service Director - Finance & Procurement	(48)	(65)	18	(96)
RCS003	New	Consolidation of data centre infrastructure	Consolidation of the Taunton on-premises servers to a single site and remove a duplication of server virtualisation licences and to avoid capital investment in new hardware.	Alternative Service Delivery	Low	Service Director - Information Communication Technology	(36)	0	0	(36)
RCS004	New	Consolidation of County Hall Internet connectivity	The contracts we have for our connectivity to both the internet and the Microsoft cloud (BT Express Route) are old and can be consolidated down from three separate links to two. Technology has moved on so the need for a dedicated link to Microsoft Azure is no longer needed.	Efficiency Savings	High	Service Director - Information Communication Technology	(36)	0	0	(36)
RCS008	New	Reduction in the number of staff mobile phones	Mobile phones will only be provided to staff who are essential users in the future. It is estimated that this will mean a reduction of 20% of the number of phones from 3,500 to 2,800 in 2024/25.	Efficiency Savings	Low	Service Director - Information Communication Technology	(36)	0	0	(36)
RCS002	New	Migrate Azure (Microsoft Cloud Storage) to a more cost effective contract	Take advantage of new costing models available for Microsoft Azure Cloud services.	Efficiency Savings	Low	Service Director - Information Communication Technology	(25)	0	0	(25)
RCS016	New	Reduce post, print and digital mail costs	Initial reduction in third party (non-staff) costs resulting from the transition project to align Print, Post and Digital mail services; reduction in postage costs from standardising to second class outbound mail and contract alignment.	Efficiency Savings	Low	Service Director - Strategic Asset Management	(25)	0	0	(25)
RCS022	Approved 2023/24 MTFP	Reduction in the number of licences for the email security software	Reduction of 600 licences for the email security software.	Efficiency Savings	Medium	Service Director - Information Communication Technology	(17)	0	0	(17)
RCS019	Approved 2023/24 MTFP	Additional Rental Income from Yeovil Town Football club and Avon and Somerset Police	Additional income streams relating to Yeovil Town Football Club and Avon and Somerset Police	Income generation	Medium	Service Director - Strategic Asset Management	(16)	0	0	(16)
RCS026	Approved 2023/24 MTFP	E-mail security contract	Consolidation of ICT support services and associated contracts.	Efficiency Savings	Low	Service Director - Information Communication Technology	(12)	0	0	(12)
RCS018	New	Increase in fees for the Asbestos team in line with inflation.	As a result of the pay award for 23/24 the team have reviewed their charge out rates for externally charged activity to third parties. We have therefore calculated this proposed increase in our income target as being a realistic reflection of the additional income that should be generated by increasing our charge-out rates.	Income Generation	Low	Service Director - Strategic Asset Management	(7)	0	0	(7)
RCS023	Approved 2023/24 MTFP	Consolidation of the Firewall contract that protects the Councils IT systems	Consolidation of the Firewall contract that protects the Councils IT systems.	Efficiency Savings	Medium	Service Director - Information Communication Technology	(3)	0	0	(3)
RCS024	Approved 2023/24 MTFP	Sedgemoor District Council - FortiAnalyzer	Tied up in Claranet contract until May 2024	Efficiency Savings	Low	Service Director - Information Communication Technology	(1)	0	0	(1)
RCS025	Approved 2023/24 MTFP	Sedgemoor District Council - FortiGate VPN	Supplier VPN and alternative VPN for ICT in the event of Always on failure with MS - tied up in Claranet contract until May 2024	Efficiency Savings	Low	Service Director - Information Communication Technology	(1)	0	0	(1)

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
RCS010	New - Subject to completion of staff consultation	Revs & Bens Staffing Costs Saving	This option models the impact of a 15% reduction in staffing costs within the Revs & Bens service. The figures used are based on current year (2023/24) spend. In practice, however, it is not realistic to expect to be able to reduce the resourcing within the service by any significant amount until we have consolidated the four separate IT systems to a single platform. In addition, a decision is required on our approach or otherwise to ending the CAPITA contract for the former Mendip area.	Efficiency Savings	Medium	Service Director - Finance & Procurement	0	(270)	0	(270)
Total Resources & Corporate Services							(2,610)	(535)	18	(3,128)
Strategy, Workforce & Localities										
SWL001	New	Remove the budget for the Pathway to Employment Scheme	The proposal is to remove or reduce the £212.6k annual budget the Organisational Development Team is allocated to run the Pathway to Employment Scheme. The award winning scheme, which has been in existence for the several years, boosts the employability of those not in Employment, Education or Training (NEET), vulnerable/disadvantaged young people within Somerset, such as Care Leavers or those with a disability. Staff currently benefitting from the scheme will continue to do so until the end of their contracts.	Service Levels	Medium	Service Director - Workforce	(113)	(100)	0	(213)
SWL016	New	Software Licence Fees	Computing Costs - Software Licences.	Efficiency Savings	Low	Service Director - Strategy & Performance	(100)	0	0	(100)
SWL005	New	Electoral services savings - non staffing budgets	Having brought together 4 legacy council budgets and the consolidation cost centres, a surplus has been identified in the base budget. This money could be used to reduce the anticipated £300K annual pressure to fund the next Somerset Council Election in 2027 or as a saving in itself.	Efficiency Savings	Low	Service Director - Governance, Democratic & Legal	(75)	0	0	(75)
SWL014	New	Reduction in contract costs for Land Charges	Services are delivered by Capita for Land Charges (East) and these are still required as per Contract. But a saving can be achieved due to an overall contract reduction following the exit of services (Customer Services and IT) as a result of the consolidation of these services following Local Government Reorganisation.	Efficiency Savings	Low	Service Director - Strategy & Performance	(75)	0	0	(75)
SWL013	New	Decision not to provide a directly funded community grants scheme and not to renew community grants that had been provided by predecessor authorities	The proposal is to not develop a new community grants scheme for Somerset Council. Predecessor authorities ran community grant schemes that each varied in how they operated and how funds were allocated across the Somerset as a whole. Prior to the financial emergency being declared, work was underway, linked to MTRS, to review and rationalise grants across the council. This was to deliver savings and with a view that the criteria for any future schemes would reflect whole county considerations. Not directly offering a community grant scheme at all will also mean that it will not be possible to consider renewing grants to organisations funded by predecessor authorities.	Financing of Activities	Low	Service Director - Partnerships & Localities	(70)	0	0	(70)
SWL011	New	Reduction in membership of the Executive	Reduction in membership of the Executive creating a saving on Special Responsibility Allowances.	Service Levels	Medium	Service Director - Governance, Democratic & Legal	(40)	0	0	(40)
SWL004	New	Reduction of £30k from Learning and Development Budgets for Somerset Council Staff.	An ongoing reduction of £30k to be applied to the Learning and Development Budget, from 2024/25. This sits alongside the once-off saving of £200k (separate proforma completed) in 2023/24.	Efficiency Savings	Low	Service Director - Workforce	(30)	0	0	(30)

Reference Number	New or Already Approved	Title	Description	Financial Strategy Type	Risk Profile	Service Director	Saving Amount			
							2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
SWL002	New	Removal of Rapid Access to Physiotherapy Contract for staff	Since 2014 Somerset County Council had provided its staff with rapid access to physiotherapy to improve workplace attendance. The service has been well used by the organisation; since its inception usage has doubled. This proposal is to remove the rapid access to physiotherapy services for staff.	Service Levels	Medium	Service Director - Workforce	(25)	0	0	(25)
SWL009	New	Reduction in elected member training and support	Reduction in 2024/25 member training and conference budget allocations. All member training to be delivered internally online and face to face with no training by external providers (unless free). Delay target of achieving Member Training Charter Plus accreditation in 24/25 to 26/27 with a focus on induction for next elections. Reduce staffing resource towards member support with a focus mainly on digital and online training. Review additional support and induction training in 2026 ahead of elections in 2027. Also reduce member conference budget by 50%. (Members Budget reduction of £11k and £18.5k from DS Budget).	Efficiency Savings	Medium	Service Director - Governance, Democratic & Legal	(13)	0	0	(13)
SWL003	New	Staff Recognition/Long Service Awards Budget	To remove the budgets for staff recognition scheme, long service awards, staff suggestion scheme. These budgets are no longer required. Also to combine the budgets for employee subscriptions and general subscriptions and reduce overall budget requirement by over 50%.	Service Levels	Low	Service Director - Workforce	(11)	0	0	(11)
SWL015	New	Increase Fees & Charges in relation to Street Naming and Numbering (SNN)	Increase in fees and charges by RPI of 6.8%. Additional increase of 5% on top of the RPI increase.	Income Generation	Low	Service Director - Strategy & Performance	(7)	(11)	0	(18)
Total Strategy, Workforce & Localities							(557)	(111)	0	(668)
Local Government Reorganisation										
LS001	Approved 2023/24 MTFP	Expected saving in staffing costs from Local Government Reorganisation	Staffing savings relating to Local Government Reorganisation in Somerset	Efficiency Savings	Low	All	(4,000)	(4,400)	0	(8,400)
Total Local Government Reorganisation							(4,000)	(4,400)	0	(8,400)
Total Somerset Council Savings							(34,969)	(10,494)	276	(45,187)

Savings with a nil total have been included for awareness. Work is being done to evaluate the details, impact and value of the proposal. The proposals will be updated in future reports as this work is completed.

Interdependent Savings - Libraries

Reference Number	New or Already Approved	Title	Description	Risk Profile	Service Director	Saving Amount				
						2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	
Communities Services										
CMS009	New - Subject to further consultation / decision making	Consider reducing statutory core library opening hours	Commence discussion with Department for Digital, Culture, Media and Sport for changes to service approach from 2025/26 to reduce total opening hours across core libraries by 10%. Note this savings proposal is the preferred alternative to saving CMS-010 and CMS-011.	Service Levels	Medium	Service Director - Culture	0	0	0	0
CMS010	New - Subject to further consultation / decision making	Consider Reducing Statutory Core Libraries Network (maximum)	This proposal is to commence discussions with the Department of Culture, Media and Sport for changes to service approach from 2025/26 to reduce the core library network (either library closures or transferring to an alternative delivery model). £380k for 25/26.	Service Levels	High	Service Director - Culture	0	(380)	0	(380)
CMS011	New - Subject to further consultation / decision making	Consider Reducing Statutory Core Libraries Network (minimum)	This proposal is to commence discussions with the Department of Culture, Media and Sport for changes to service approach from 2025/26 to reduce the core library network. £50k 25/26.	Service Levels	Medium	Service Director - Culture	0	(50)	0	(50)

2024/25 Budget consultation

Summary Report



Contents

Key findings	3
Consultation context	4
Methodology	5
Communications and promotion	6
Demographic analysis	7
Services respondents use.....	9
Topics respondents are concerned about	10
Budget preferences	11
Lobbying Government	12
Council Tax.....	13
Fees and charges.....	15
Adults Services	16
Children and Family Services	19
Community Services.....	22
Highways and public transport.....	25
Waste Services.....	29
Generating additional income	32
Further comments	35
Feedback provided via social media and email.....	37

Key findings

Lobbying government

The public are clearly in favour of Somerset Council lobbying government for change. It was the top preference of respondents over other actions we could take to help balance our budget.

Results showed 89% of people are in favour of lobbying for more social care funding, and 84% in favour of lobbying for action to fix the local government funding system.

Council Tax, fees and charges

Overall the results suggest the public are generally supportive of increases to Council Tax, fees and charges, even though raising Council Tax was one of the lowest preferences for balancing our budget (compared to options like lobbying Government or generating income).

When asked if people supported raising Council Tax in line with the unitary average if it meant protecting services and jobs, a clear majority (51%) were in favour of doing so (33% against).

When asked how much extra Council Tax they would be willing to pay, just 27% opted for 'no increase'. The top preference was for total rise of 4.99%.

Half of all respondents thought we should increase fees and charges, while 51% were in favour of introducing new charges for services which are currently free.

Priorities and concerns

Waste: Household waste recycling centres were the most used service, and two thirds of respondents did not think we should consider making savings in waste services. A clear majority (79%) of respondents were against any proposal to reduce the number of waste recycling centres. We also received many comments raising concerns about fly-tipping.

Highways and transport: The top concern raised was the condition of roads and pavements, while 54% said they were dissatisfied with current maintenance levels. Two thirds of respondents were against making savings in this area, and 81% of people thought reducing highways maintenance would have a negative impact on their community. Respondents said that preventative and reactive road maintenance, as well as drainage maintenance, are important. We also received many comments in support of buses.

Additional comments

The free text responses gave people the chance to suggest alternative ways we could save money, reduce services or generate income. There are some key themes:

Staffing and pay: Many comments suggested reducing the number of managers and lowering the pay of senior staff.

Fees and charges: There were many comments suggesting increased charges for services like parking and garden waste, generating income by renting out offices or meeting rooms, and increasing Council Tax for second home owners.

Improved ways of working: Across all areas we received many comments about getting value for money by reviewing how services are run, reducing waste (such as use of contractors), bringing services in-house, investing in prevention, and selling assets and unused offices.

No cuts to services: Many comments suggested services should not be reduced, particularly in areas like waste, road maintenance, community services, public transport, and those which look after vulnerable people.

Consultation context

Somerset Council's 2024/25 budget consultation was launched in December 2023. The aim was to increase understanding of local government funding and the services the council provides, while also seeking the public's views on potential savings options as the council looks to set a balanced budget in February 2024.

In November last year, Somerset Council declared a financial emergency with a projected budget gap of £100m for 2024/25.

Local authorities legally have to deliver a balanced budget and so cannot spend more money than is available.

Both nationally and in Somerset, the cost of delivering services is increasing significantly faster than income, particularly for statutory services like social care for both adults and children.

Our income comes from Council Tax, government grants, and fees and charges such as parking charges and planning fees. Somerset has an historically low level of Council Tax, below the national average and less than neighbouring authorities in Bristol, Dorset, Cornwall, Plymouth, and Bath and North East Somerset.

We have been open and transparent about the challenges we are facing. Ahead of budget-setting in February this year and before any decisions are made, we invited residents, businesses and stakeholders to share their views on a range of high-level options that could contribute towards balancing the budget.

We also asked for options not yet considered and encouraged feedback on the potential impact of the general approach to budget setting.

This report summarises the findings of the consultation exercise.

Methodology

- The budget consultation ran for six weeks from 11 December 2023 to 22 January 2024 and was widely promoted through a variety of online and offline channels.
- Information packs were made available online and in libraries. Structured responses were gathered using the council's consultation platform and informal responses have been gathered via email, comments on social media posts and letters.
- We held four in-person briefing events specifically for businesses. These were attended by both Members and Officers and held in Taunton, Bridgwater, Frome and Yeovil to give a wide geographical spread. There was also a virtual event for those who could not attend in person. These were attended by representatives from 46 businesses.
- The consultation received 5,841 responses via the consultation survey, 17 emails/ letters and nearly 400 comments on social media. We are also aware of a petition about a specific saving associated with Yeovil Rec which has so far generated more than 13,900 signatures.
- Of the responses submitted via the online survey, 5,190 were from people who described themselves as residents of Somerset, 353 from Somerset Council employees, 152 from organisations, groups or businesses, and 82 from Councillors.
- This report summarises the key findings and provides comparative demographic analysis from the Somerset Council Budget Consultation 2024-2025. Notable demographic variances from the average response are also highlighted, including comparison to the demographic profile of Somerset.
- As this was an open consultation, the respondents are not a representative sample of the Somerset population. Most of the consultation questions were optional, and if 'no response' was provided to a question, this was not included in the analysis. As such, the totals for each question generally add up to less than the total number of respondents who replied via the consultation survey.

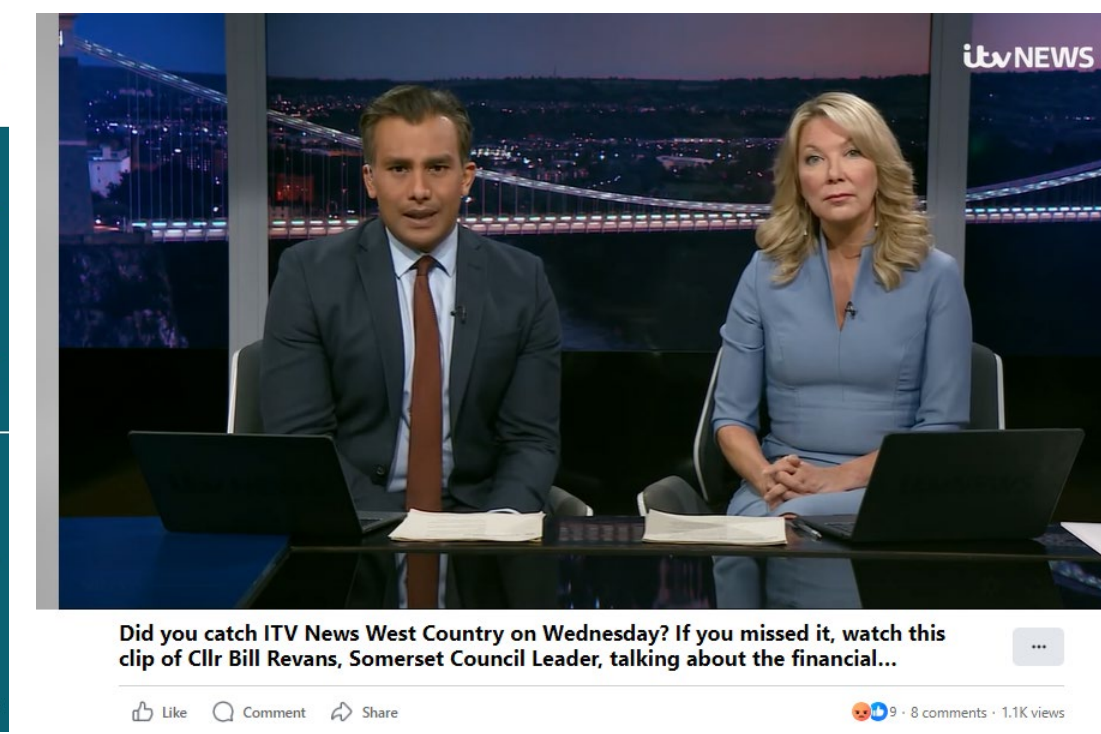
A note on verbatim coding

To manage the number of free text responses to open-ended questions, we used an inductive approach from a sample of replies to create 'tags' showing the key themes. This means the themes were developed from the responses themselves and were not pre-determined based on expectations to avoid any bias in the analysis.

Communications and promotion

- Press releases and widespread media coverage
- Dedicated consultation page on the Somerset Council website
- Somerset Council e-newsletters
- Waste Services social media and e-newsletter
- Multiple organic posts on all Council social media platforms, totalling 123,382 impressions and 11,430 engagements
- Somerset libraries
- Cascaded details through elected members, staff, partner organisations (including parish, town and city councils, Police, Fire, Health, schools, and community groups)
- Promoted to staff on the intranet homepage and at Staff Q&A and Leadership Briefings
- Business briefings, in-person and virtual
- Including in the weekly Provider Briefing, which goes all care providers, RCPA's newsletter which goes to Registered Care Provider Association members and the school's newsletter
- Posted on the Support Services for Schools (SSE) website

Page 378



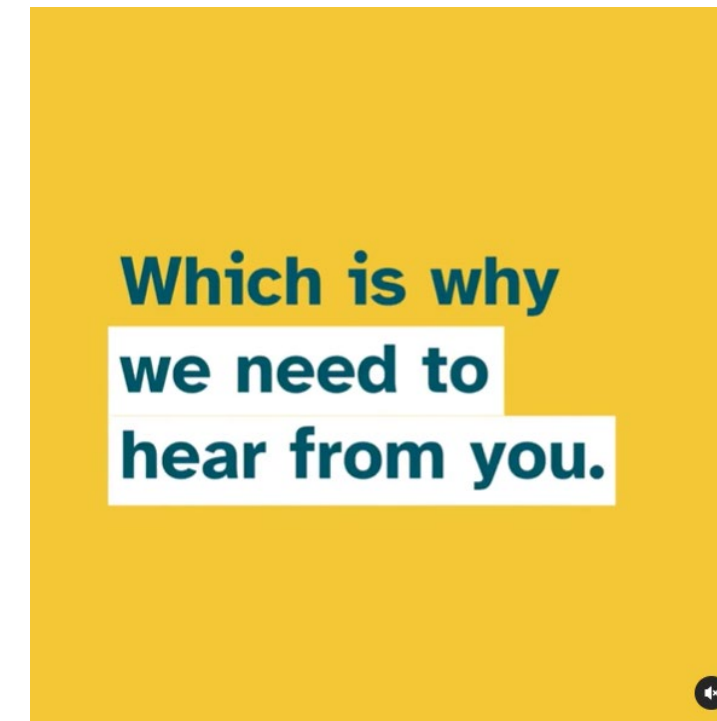
Somerset Council - Following Government Administration

Papers have been published setting out Somerset Council's plans for "unprecedented action" to bridge a £100m budget gap by use of reserves, significant savings, a Council Tax increase of 10%, and the sale of council assets to set a balanced budget.

For full details, visit: <https://lnkd.in/g/Ztv4TY>

Please take part in our online budget consultation <https://lnkd.in/g/Ztv4TY>

has declared a financial emergency.



somersetcouncil 2 d

Don't miss the chance to have your say - complete our budget consultation before it closes tomorrow, Monday 22 January.

Somerset Council faces a financial emergency. Difficult decisions will have to be made to set a balanced budget at Full Council in February.

We're encouraging everyone to have their say on the proposals. No decisions have been made yet - which is why we need to hear from you.

The public consultation is open now, it

5 likes 2 days ago

Somerset Council - Following Government Administration

#Somerset businesses, join us - our virtual event starts at 6pm today.

Don't miss the chance to get your business-related questions on the fin... see more

Businesses: have your say

Budget consultation - virtual event for businesses

Join us online today

- Microsoft Teams
- Wednesday 17 January
- 6 - 7:30pm

Somerset Council @SomersetCouncil

Need an overview of the financial emergency facing #SomersetCouncil? Listen again to Council Leader, Cllr Bill Reavns, answer questions from residents on @bbcsomerset yesterday [orlo.uk/y3jsj](https://lnkd.in/g/y3jsj)

Consultation closes 22 Jan, have your say [orlo.uk/MBrik](https://lnkd.in/g/MBrik)

Difficult decisions will have to be made to set a balanced budget this February.

Have your say on council budget setting

December 11, 2023

Press Release

Somerset Council is launching a public consultation on its budget, offering residents and businesses the chance to have their say as the authority faces a financial emergency. The consultation is open to everyone and the results will help influence Councillors...

Support Services for Education

Who's Who Purchase & Access Store Training & Events Communication Resources Contacts sign up | Login

Have your say in the Somerset Council Budget Consultation - closes January 22nd

Wednesday, 10/01/2024 | Somerset Council

Share

Popular this month

- Free Relationships, Sex and Health Education (RSHE) training to develop creative practice and manage loss and change, for school staff, autumn 2023 01/11/2023
- A message from Amelia Walker - Service Director Education, Partnerships and Skills 18/01/24 18/01/2024
- A message from Dr Rob Hart, Service Director for Inclusion 11/01/24 11/01/2024
- School closures website now live 07/09/2022
- A message from Dr Rob Hart, Service Director for Inclusion 04/01/24 04/01/2024

Latest from this team

Intranet-News Home Intranet home Edit

Public Health Funds to improve community safety and reduce and protect those who experience domestic abuse

Public consultation launches on Somerset Council's 24/25 Budget

Richard Birch Lead Specialist Comm

This afternoon (11 December), we are launching a public consultation on our budget for 2024/2025. The full text of the announcement which will be released to support this can be found below, and this was publicly issued at 5pm on 11 December.

The consultation is aimed at gathering views on the difficult decisions which may need to be taken in order to set a balanced budget next year. Colleagues are also encouraged to participate.

You can find more information about the Financial Emergency and actions being taken on our dedicated intranet site here - [Financial_Emergency_Updates_announcements_and_FAQs_\(sharepoint.com\)](#).

The consultation can be found here - <https://somesetcouncil.citizenspace.com/comms/budget-consultation-2024-2025/> and it will close on 22 January.

Have your say

So far no decisions have been made

Take part in our budget consultation to help inform councillors before they make decisions

Use link or QR code bit.ly/BudgetConsultation24

Closes on 22 January

Demographic analysis

To understand how views may vary among different demographics, we have identified several groups for the more detailed analyses in this report.

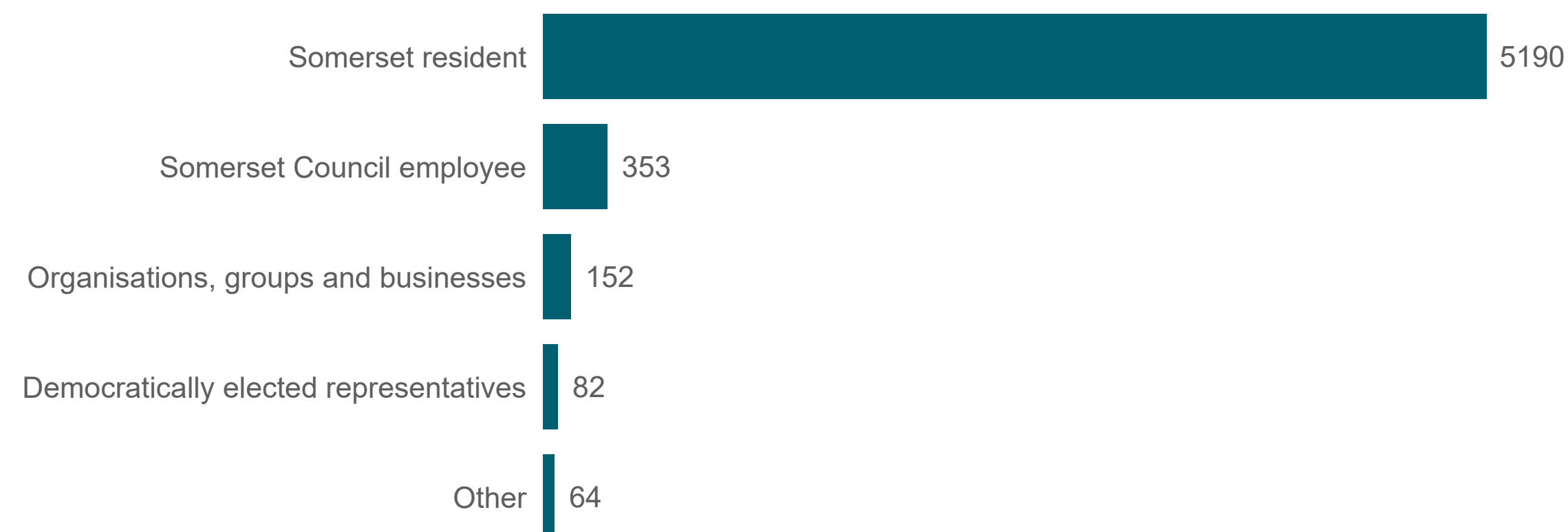
In most cases 'not answered' has been removed.

The graphs showing the demographic breakdown on this page compare the consultation respondents to the overall population of Somerset according to census data.

This shows there is a slight over-representation of female respondents when compared to the Somerset population. It also shows people with disabilities are slightly under-represented, although it should be noted there were around 9% of respondents who selected 'prefer not to say'.

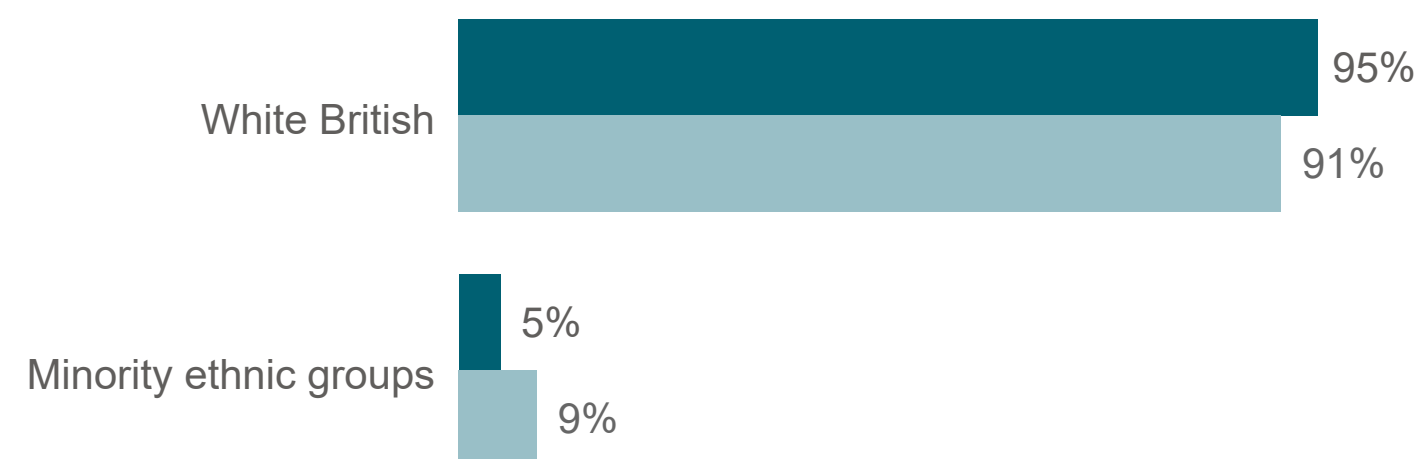
Page 379

Number of respondents by group



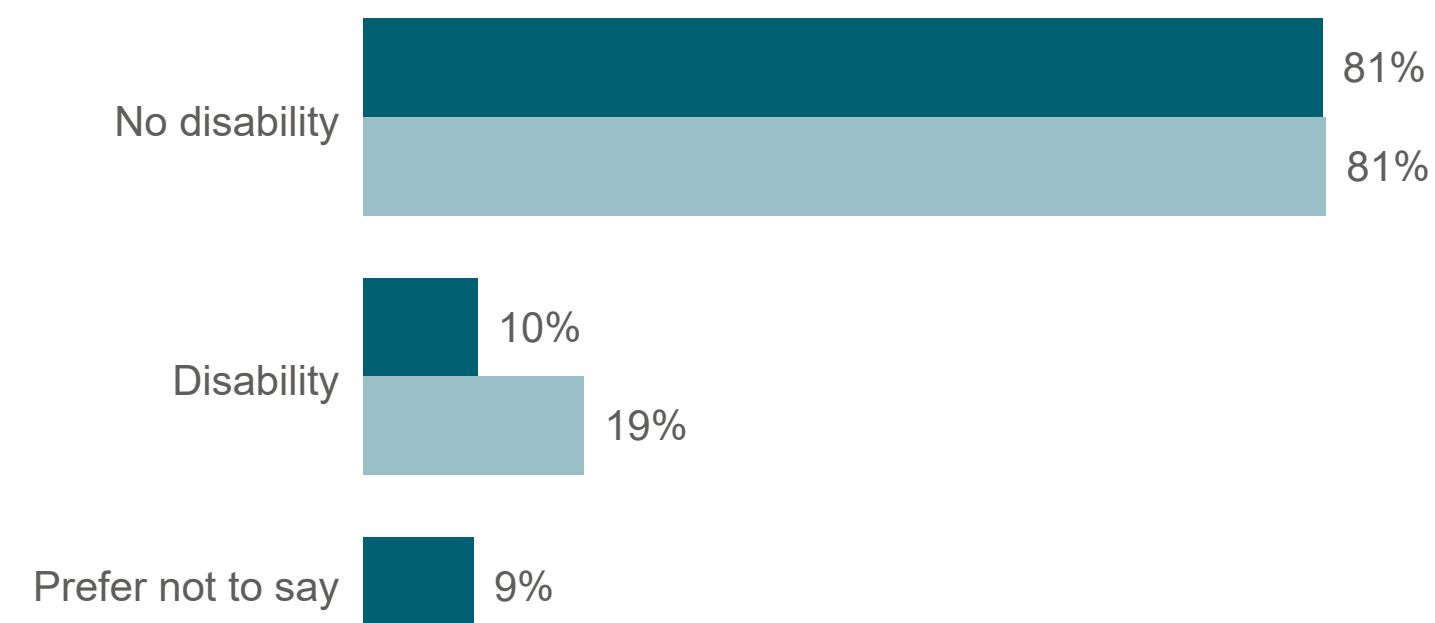
Respondents' ethnic groups, compared to Somerset population (Census 2021)

● Consultation respondents ● Somerset population



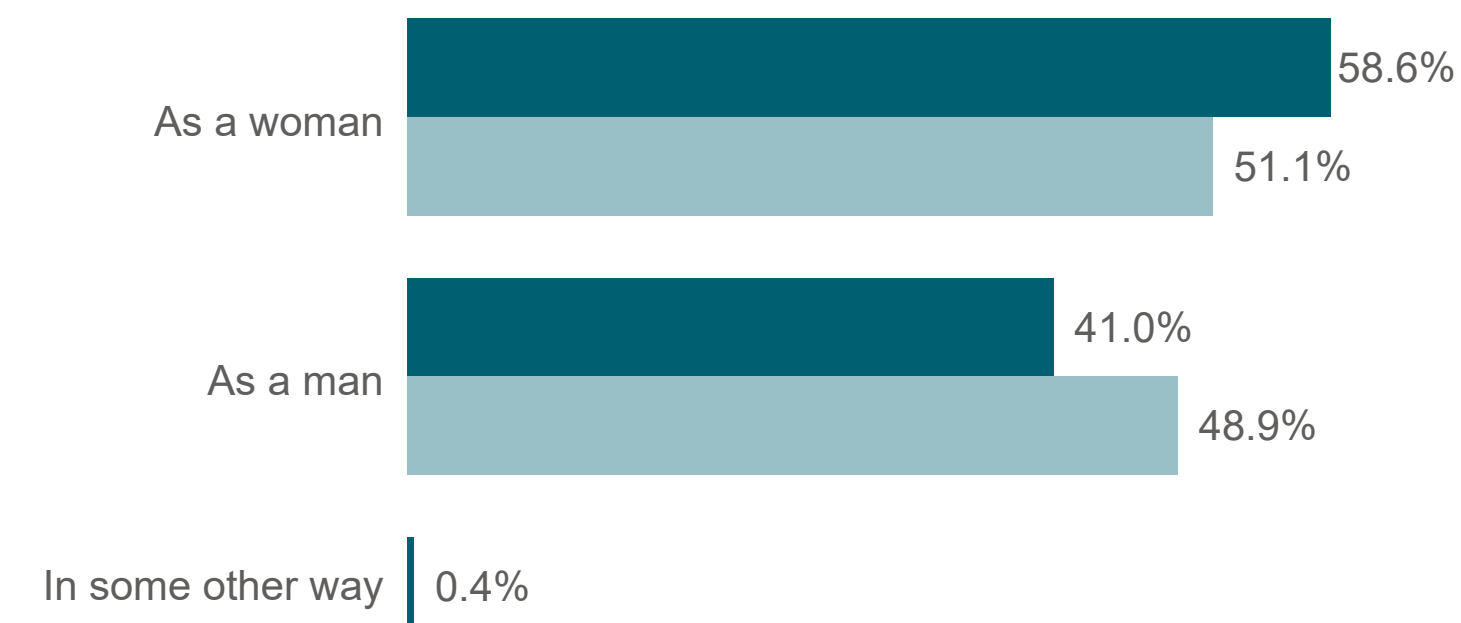
Proportion of respondents who said they had a disability compared to Somerset population (Census 2021)

● Consultation respondents ● Somerset population



Respondents' sex identity compared to Somerset population (Census 2021)

● Consultation respondents ● Somerset population



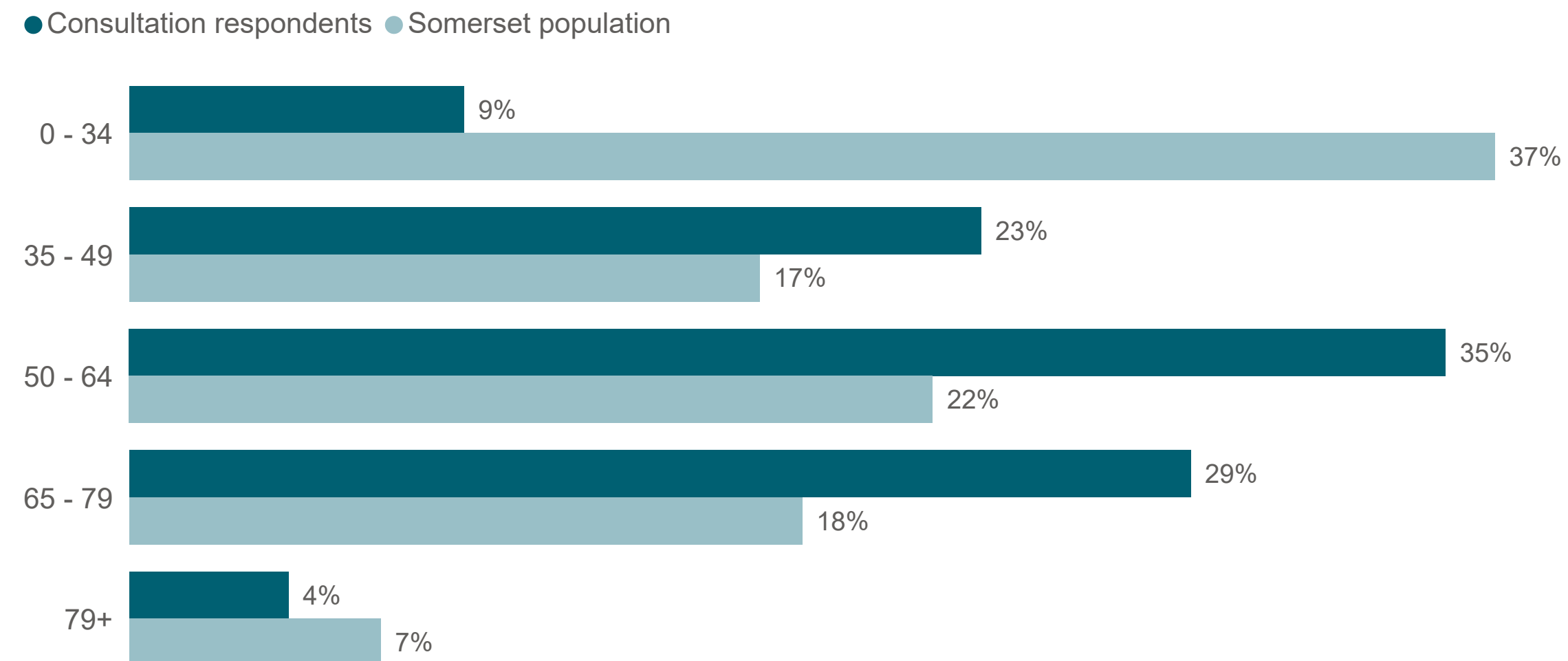
Demographic analysis

The age data should be used with caution due to the relatively low number of respondents aged under 34, and particularly aged under 24. The results clearly show that young people's views are under-represented throughout the survey and people over the age of 50 are over-represented. Efforts were made to promote the survey to younger people through channels such as social media and school newsletters, but these results are not unexpected with a consultation of this nature.

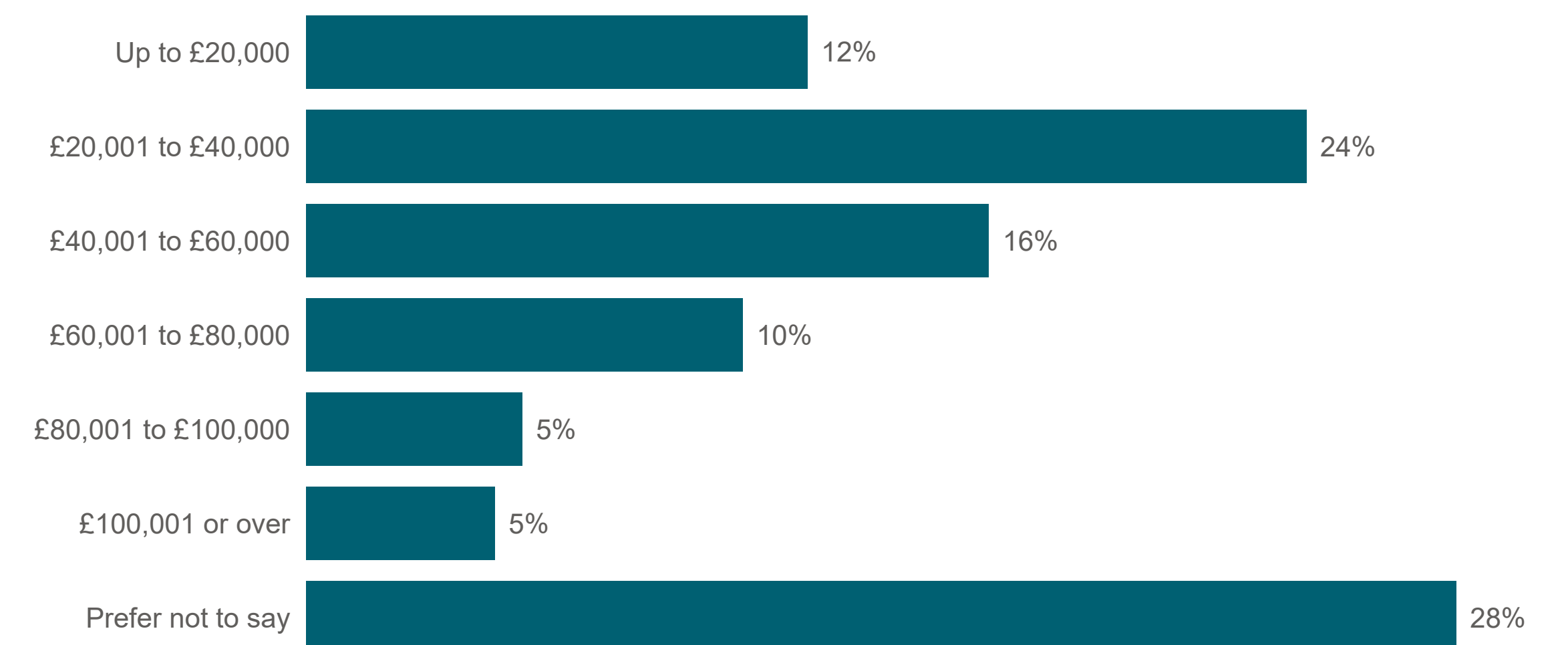
We also gathered data on household income to compare responses to questions about Council Tax. Overall 28% of respondents selected 'prefer not to say', 36% of respondents said they have a household income of under £40,000, 26% have a household income of between £40k to £80k, and 10% over £80k.

Page 380

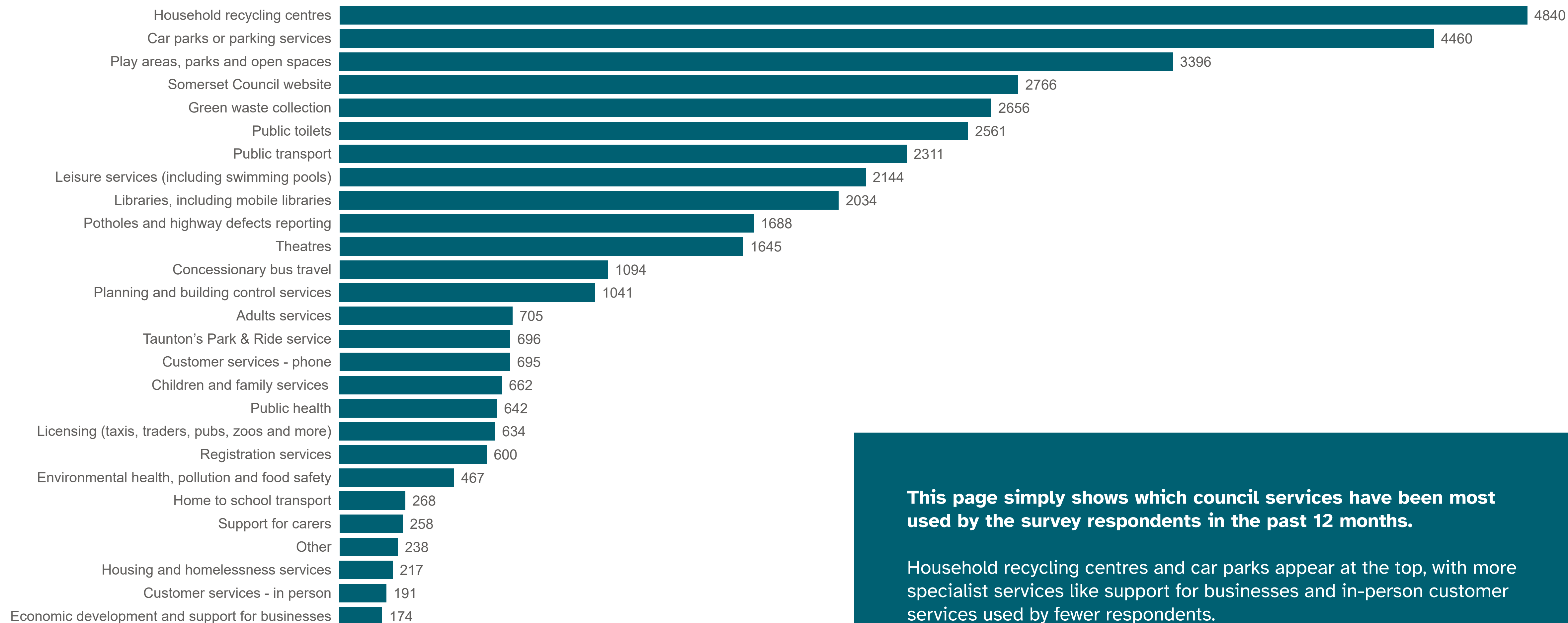
Respondents' age profile compared to Somerset population (Census 2021)



Respondents by household income



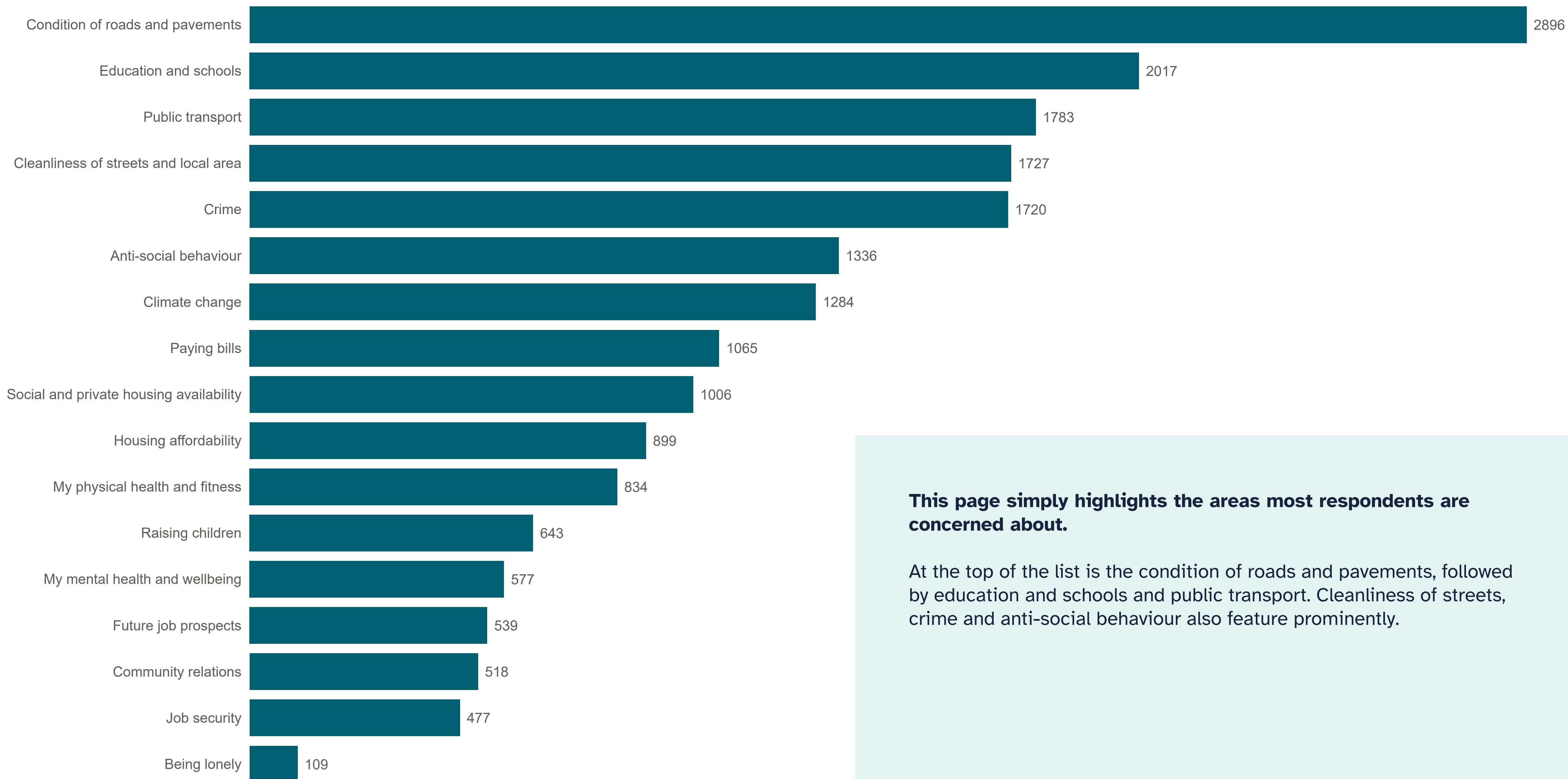
Services used in past 12 months



This page simply shows which council services have been most used by the survey respondents in the past 12 months.

Household recycling centres and car parks appear at the top, with more specialist services like support for businesses and in-person customer services used by fewer respondents.

Which of the following are you concerned about?



This page simply highlights the areas most respondents are concerned about.

At the top of the list is the condition of roads and pavements, followed by education and schools and public transport. Cleanliness of streets, crime and anti-social behaviour also feature prominently.

Budget preferences

In this section we asked the public to consider various actions we could take to help balance our budget by ranking options in order of preference.

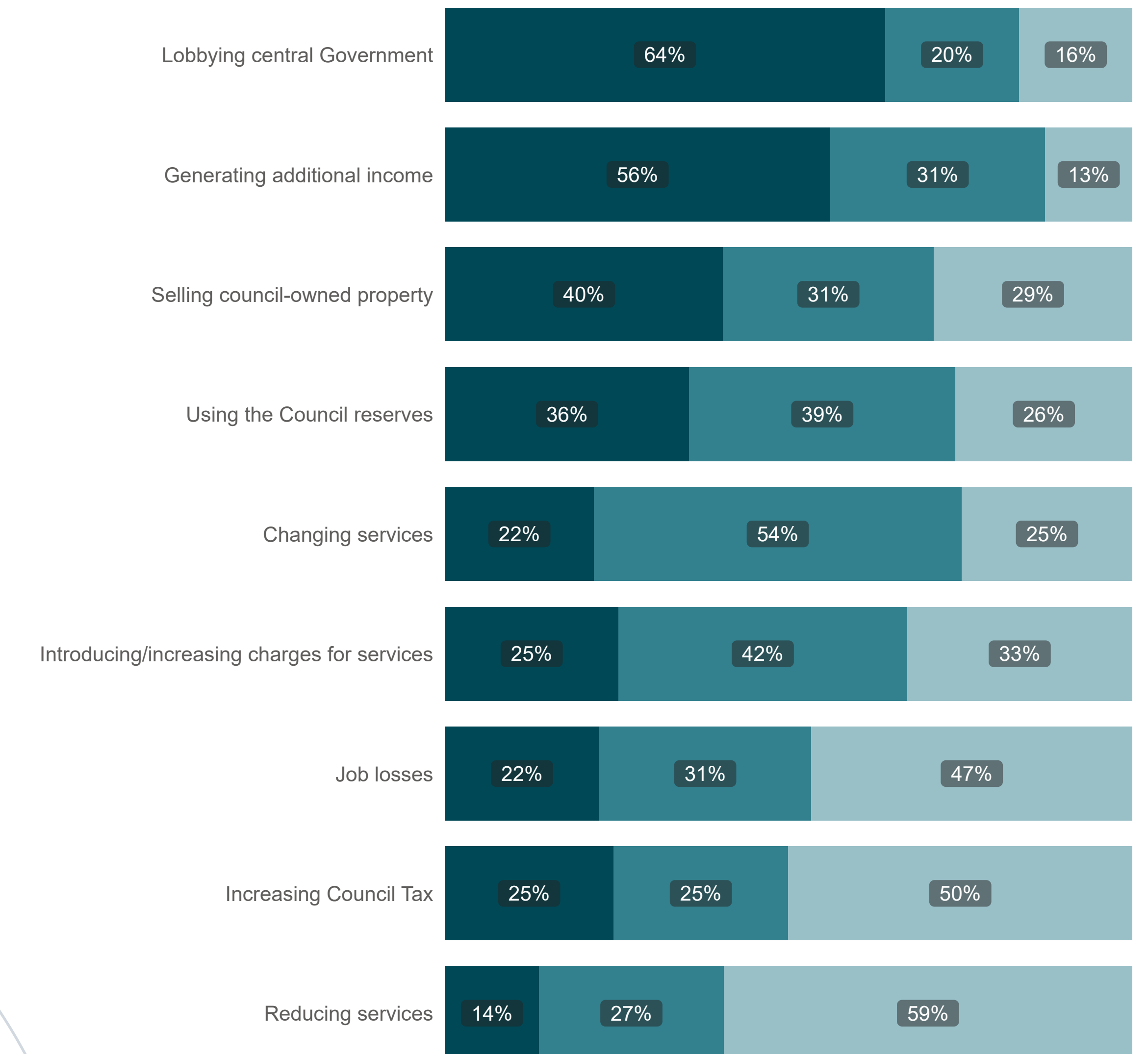
The graph shows the preferences in order.

There is strong support from respondents for Somerset Council to lobby central government to change the laws on local government funding. Other preferences include generating additional income and selling council-owned property.

The least popular options were increasing council tax, job losses and reducing services.

Order of preference for budget options

● Top 3 preference ● Mid-range preference ● Bottom 3 preference



Lobbying Government

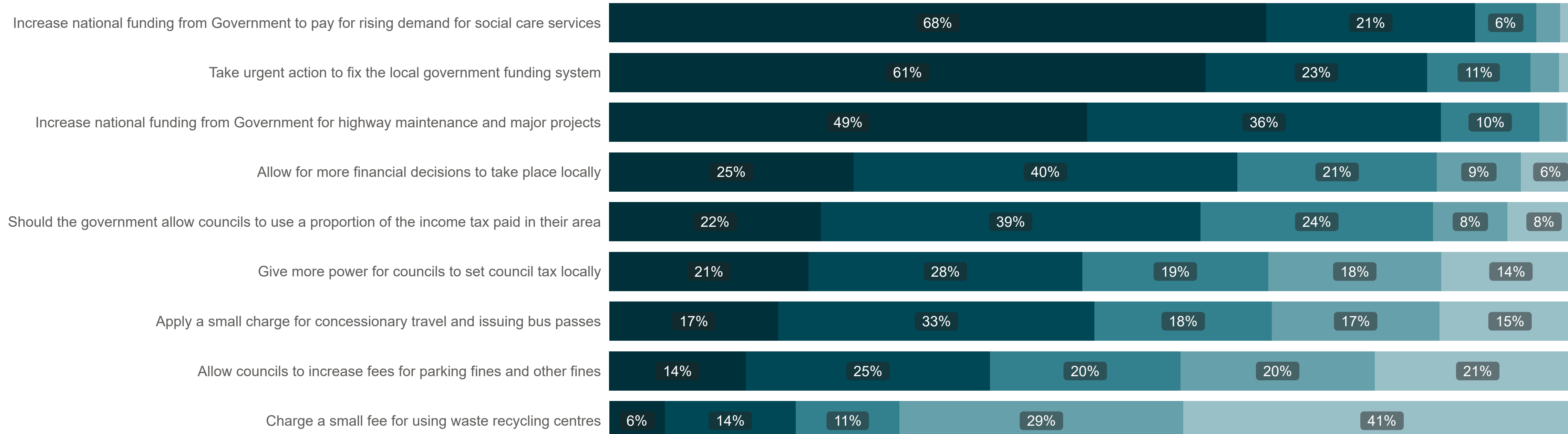
In this section we asked for views on lobbying and gave options of areas where we could call for the Government to make changes to national policy.

Respondents are strongly in favour of Somerset Council lobbying for an increase in national funding to pay for rising demand in social care services. They were also supportive of us calling for action to fix the local government funding system, and for an increase in national funding for highway maintenance and major projects.

The other notable result regards charging a small fee to use household waste recycling centres with a clear majority either disagreeing or strongly disagreeing. This corresponds with the high proportion of respondents who said they have used recycling centres in the past 12 months.

To what extent do you agree or disagree that Somerset Council should lobby the Government for change in the following areas?

● Strongly agree ● Agree ● Neither agree nor disagree ● Disagree ● Strongly disagree



Council Tax

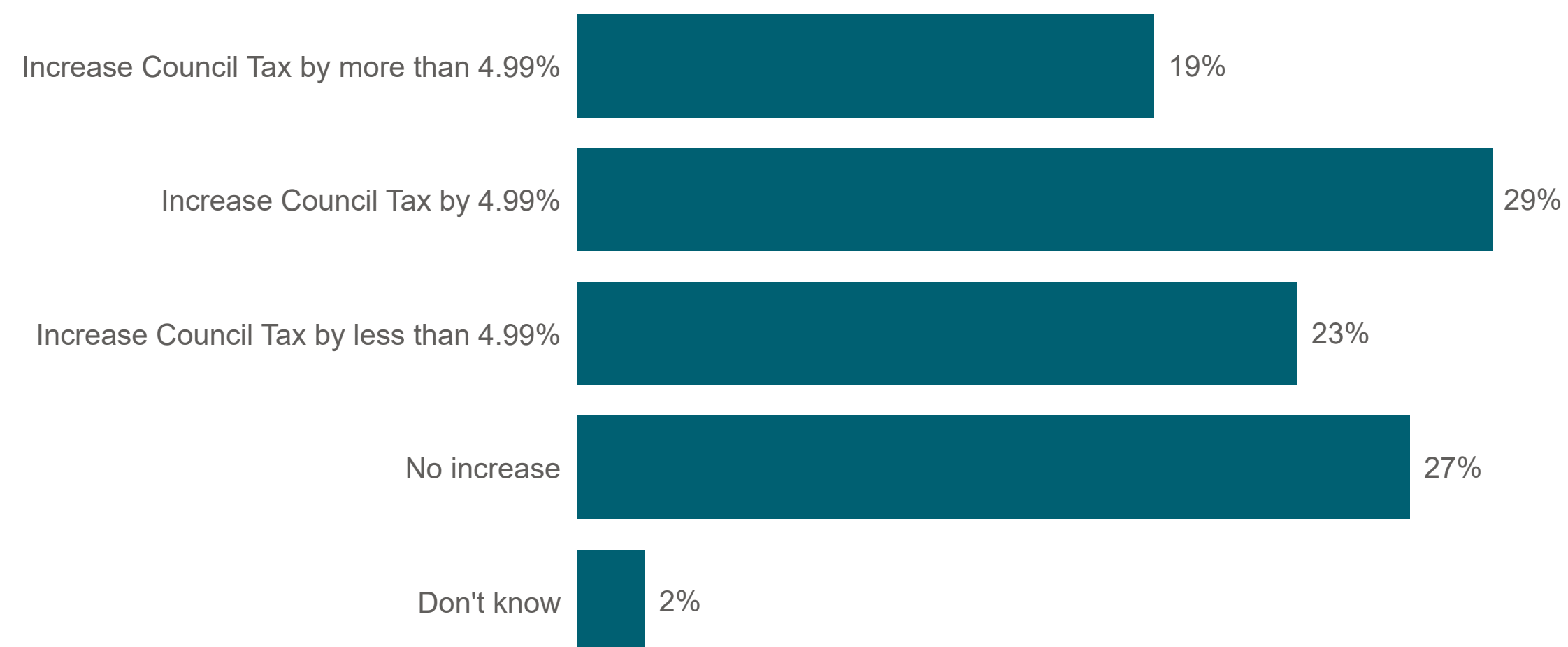
Council Tax is the main income source for local councils but the ability for councils to increase Council Tax is carefully controlled by the government. In this section we asked whether Somerset residents would be happy to consider paying more in Council Tax if it was permitted.

Overall, the results show most respondents were in favour of an increase, with 19% in favour of a rise by more than 4.99%, 29% in favour of a rise of 4.99% and 23% of a rise by less than 4.99%. Just over a quarter of respondents (27%) preferred no increase in Council Tax.

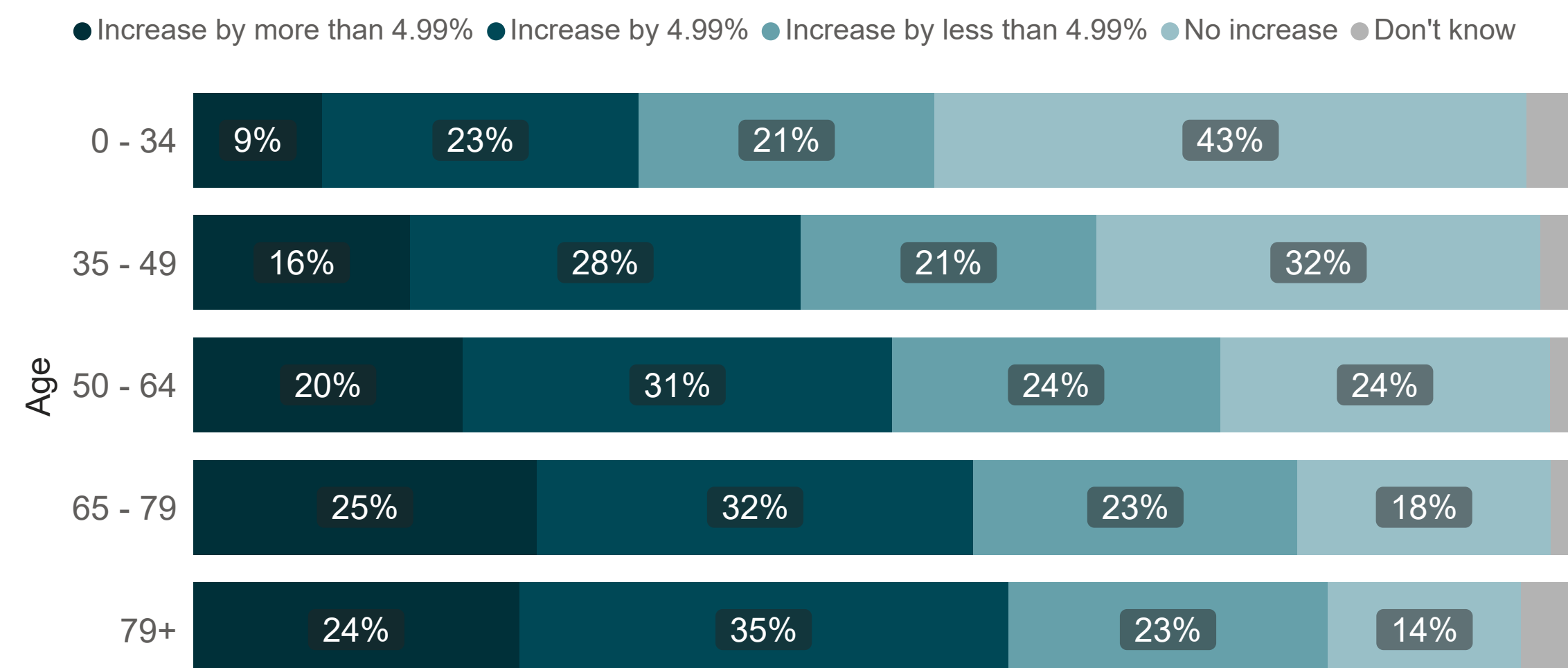
When broken down by age, the results showed the older people were the more likely they were to support a higher rise in Council Tax. When split by household income, the higher the household income, the more likely respondents were to support a higher increase.

Page 385

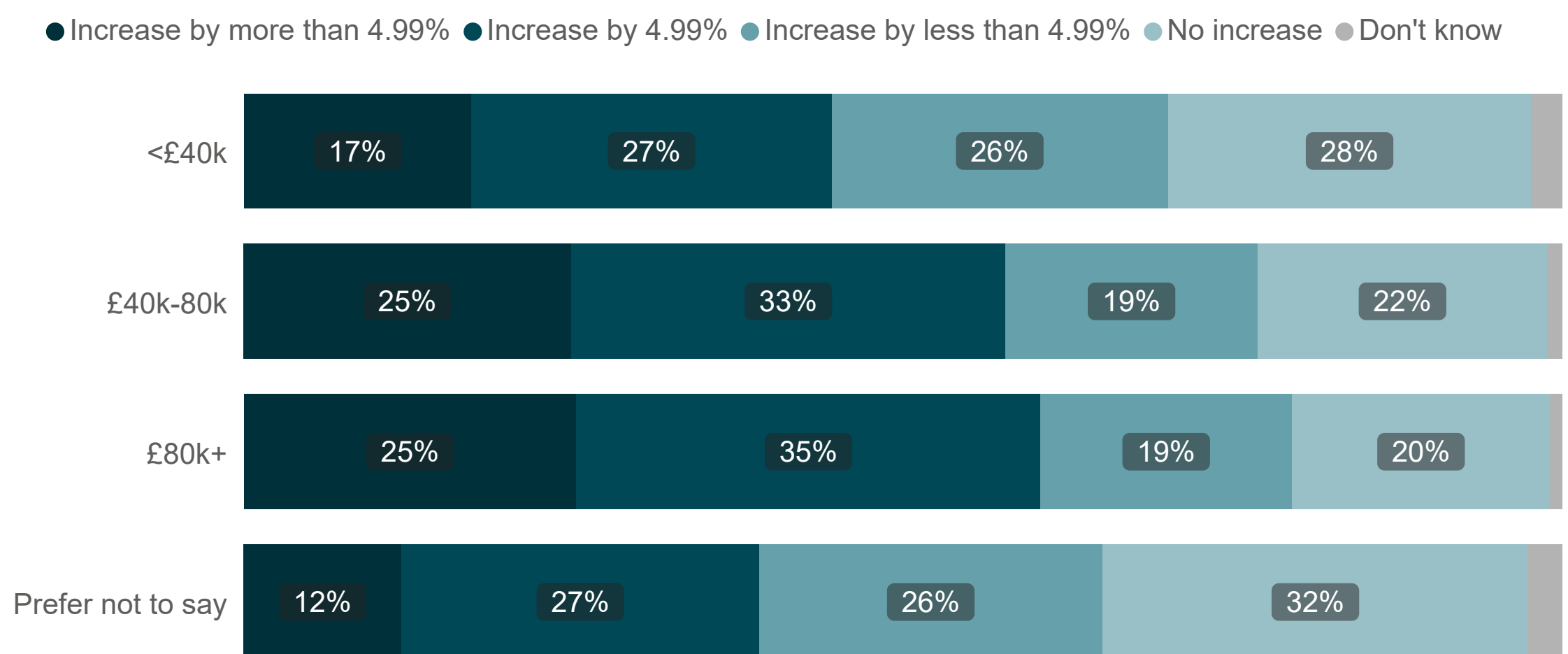
Preferred council tax increase



Preferred council tax increase, by age



Preferred council tax increase, by household income



Council Tax

We also asked people if they would support a rise in Council Tax to put Somerset in line with other unitary councils if it led to fewer service cuts and job losses.

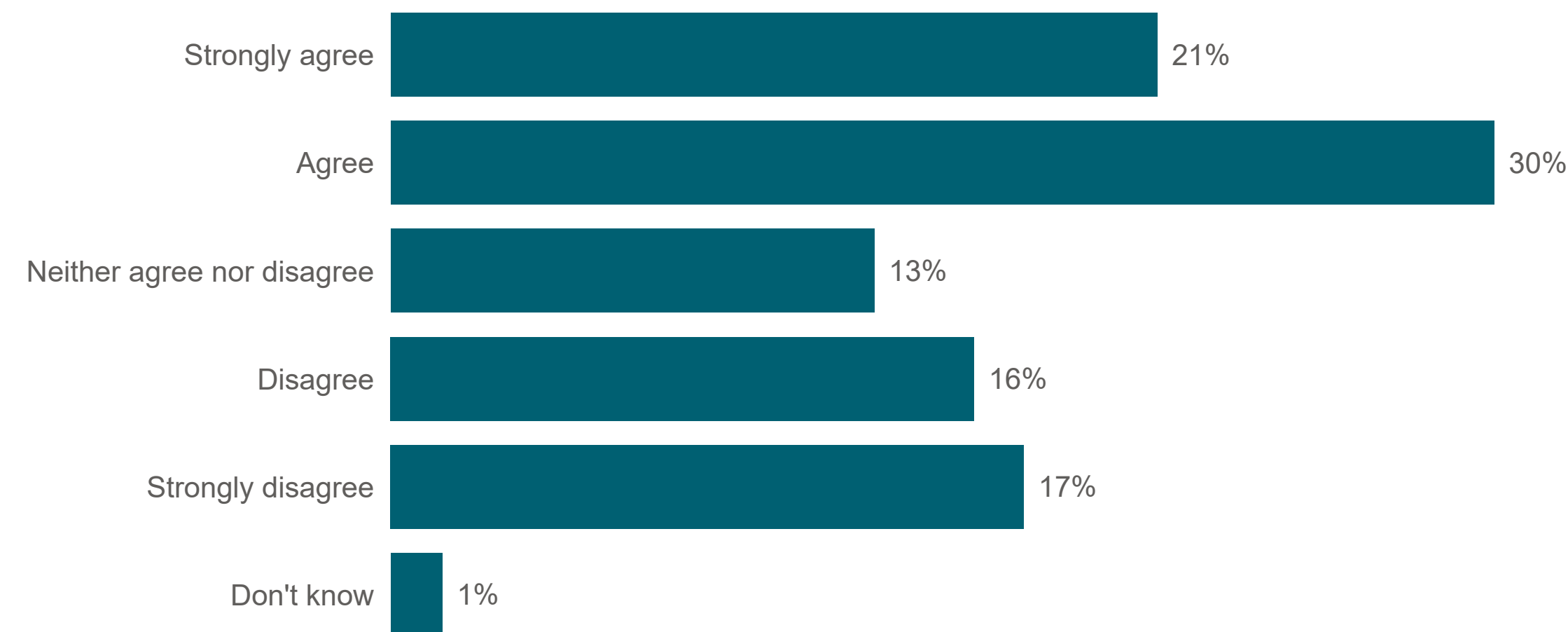
Again, the majority was supportive with more than half (51%) of respondents either strongly in favour, or in favour of an increase. Around a third (33%) were against, either strongly disagreeing or disagreeing with a rise.

When split by age, the results again showed that older people were more likely to agree or strongly agree with a rise in Council Tax.

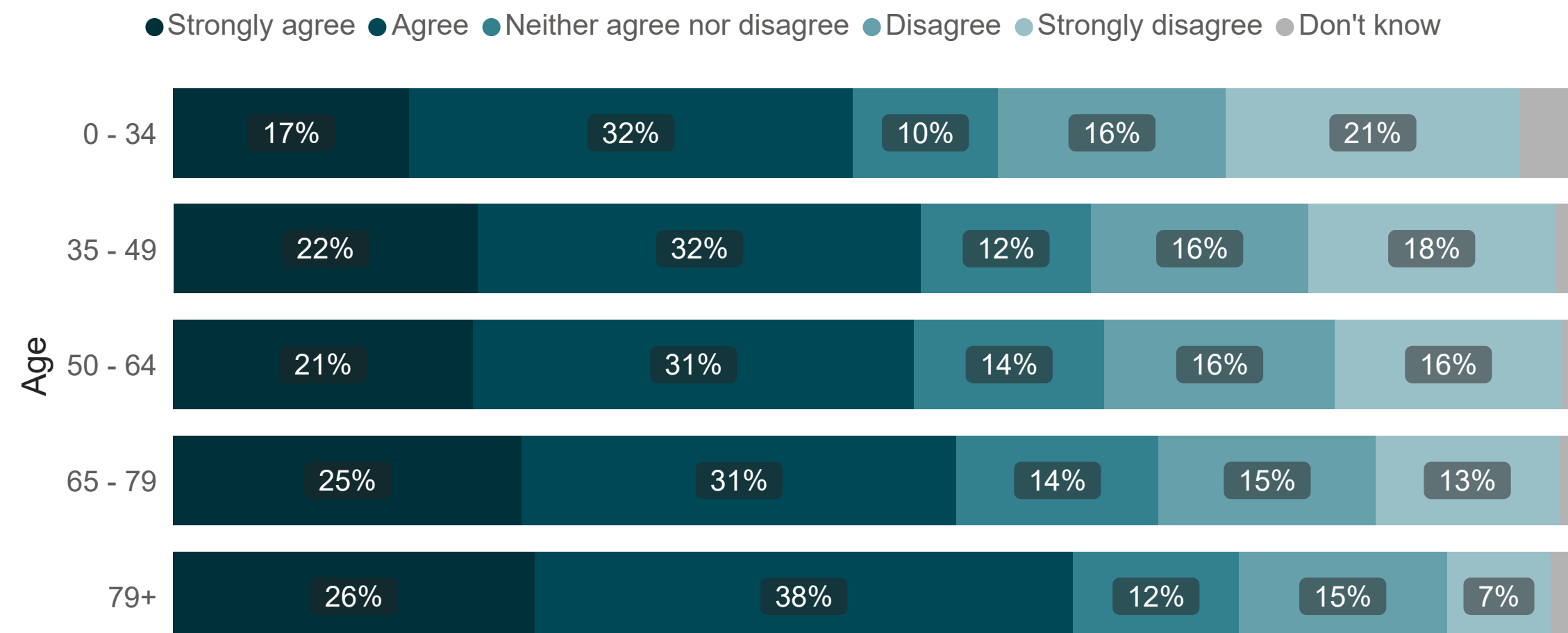
In terms of household income, higher earners were generally more supportive of Council Tax increases, although it should be noted that 50% of those with a household income under £40k were still supportive of a Council Tax increase.

Page 386

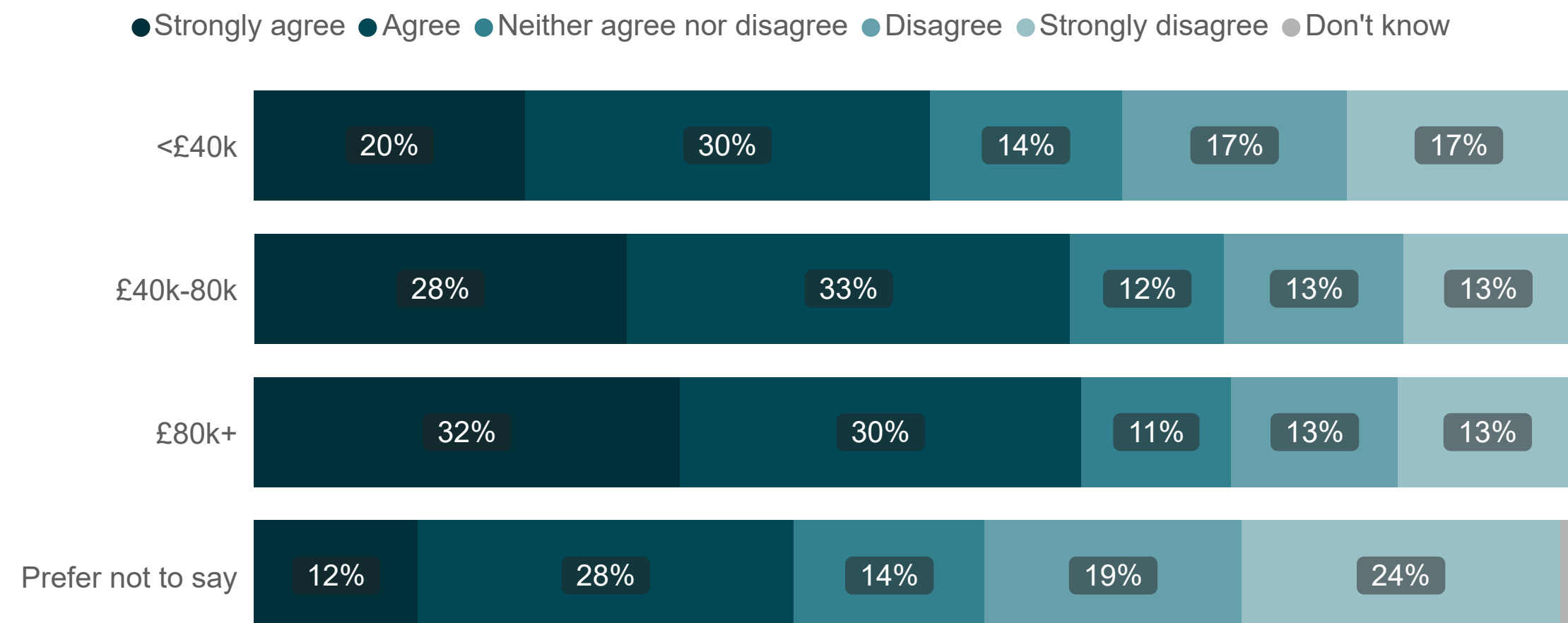
Would you agree to a rise in Council Tax, to put Somerset in line with the national average for a unitary authority, if it led to fewer service cuts and job losses?



Would you agree to a rise in Council Tax, to put Somerset in line with the national average for a unitary authority, if it led to fewer service cuts and job losses? Responses by age



Would you agree to a rise in Council Tax, to put Somerset in line with the national average for a unitary authority, if it led to fewer service cuts and job losses? Responses by household income



Fees and charges

In this section we asked if people would agree with a proposal to introduce new charges for services that are currently free in order to cover costs. Most respondents (51%) either strongly agreed or agreed that we should, with around a third (34%) disagreeing or strongly disagreeing.

We also asked if we should consider increasing fees and charges to cover our rising costs. 50% were in favour, with 31% against.

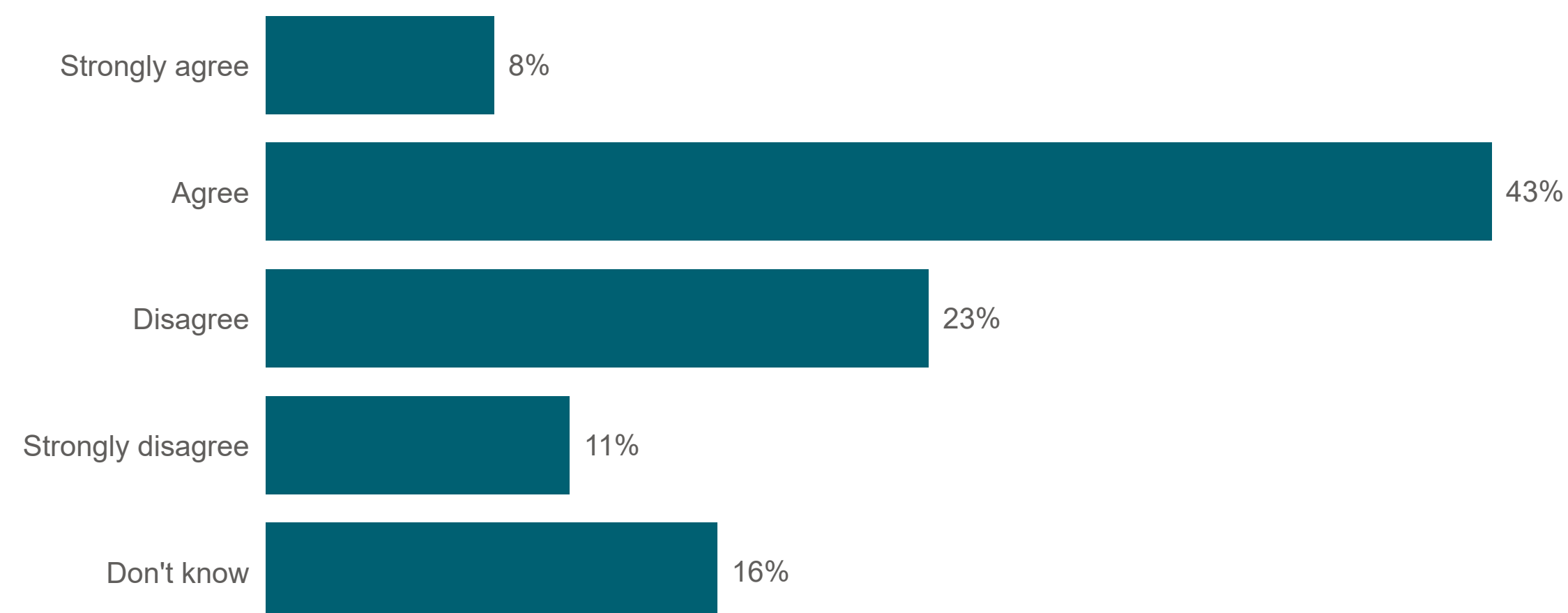
When asked by how much we should raise fees and charges, 5% supported a rise above inflation, 50% in line with inflation, 17% less than inflation, and 19% preferred to see no increase at all.

To cover our rising costs, should the council increase fees and charges?

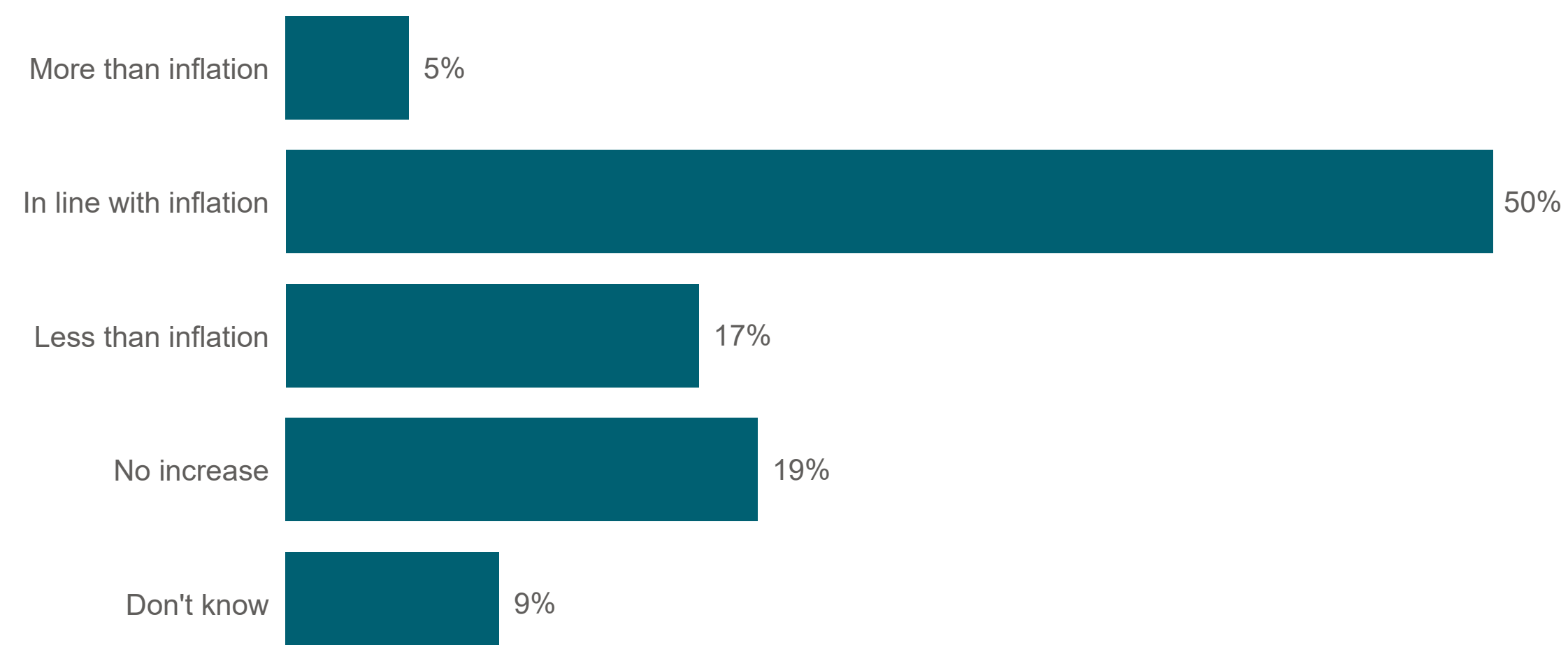
● Yes ● Don't know ● No



To what extent do you agree or disagree with the proposal to cover the costs of running some local services by introducing new charges for services that are currently free?



How much should the council increase fees and charges?

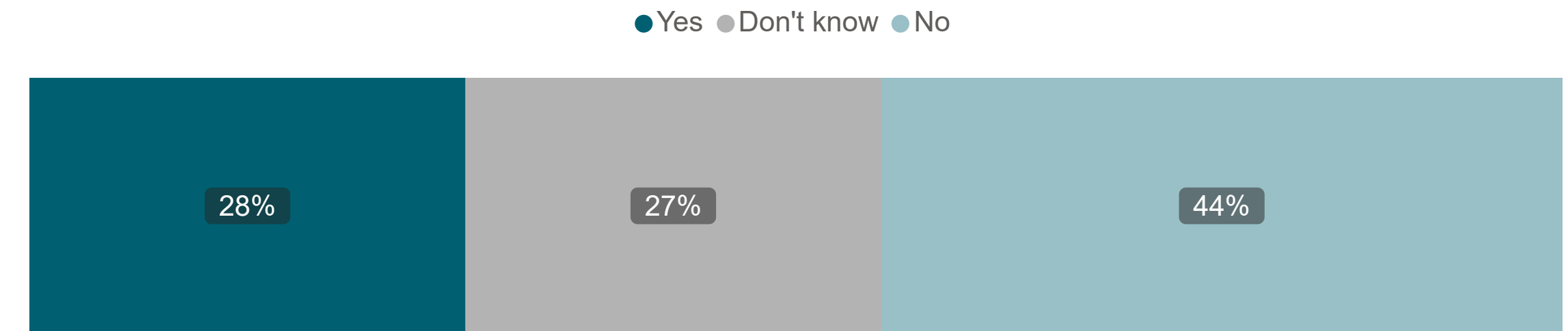


Adults Services

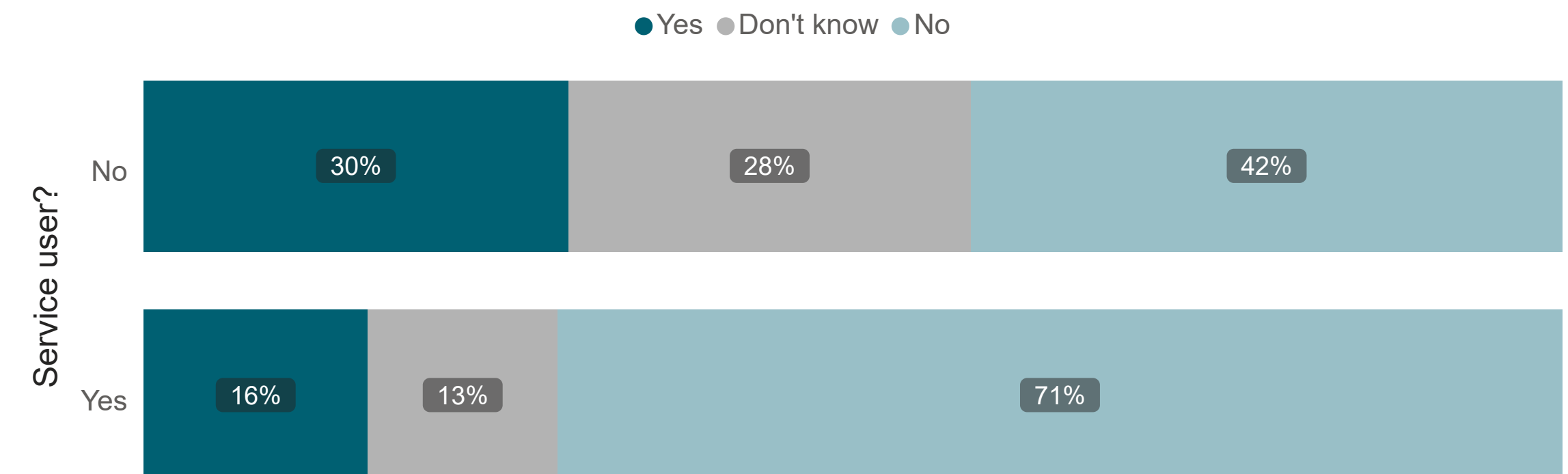
We asked for people's views on whether we should consider making savings to discretionary services within Adults Services. Overall, 28% were in favour, 44% were against.

We were also able to break down the results to show responses from people who either currently use Adults Services or have a family member who does. This shows people with direct experience of Adults Services are more likely to be against making savings in this area.

Do you think we should consider making savings to discretionary services within Adults Services? - all respondents



Do you think we should consider making savings to discretionary services within Adults Services? - by whether a service user



Adults Services

We asked: Where could we make savings in this area?

This was a free text section where 28.57% of respondents left a comment, 1,669 comments in total

We analysed the responses and these are the key themes:

- 382** - Suggested a review of **ways of working**. This includes assessing need and reviewing contracts, and means testing.
- 234** - Commented on **staffing and pay**. Some suggestions were to reduce the number of managers or reduce pay, others suggested reducing the number of agency staff.
- 195** - Were keen to see **no cuts** made to this service.
- 173** - Recommended that **fees and charges** be assessed, including means testing for people receiving care, and charging for some services.
- 112** - Proposed stopping **non-essential services**.
- 108** - Stated that the council should **stop wasting money** in this area.
- 95** - Believed that savings could be made by **bringing services in house**, particularly the cost of residential care and care staff.
- 86** - Suggested **reviewing funding streams**, either through charging people for the service they use or by changing how social care is funded.
- 85** - Expressed that **contracts should be reviewed**, to ensure the council is getting the best value for money with suppliers.
- 70** - Proposed greater **partnership working**, closer working with the NHS and other partners.
- 65** - Believed that investing in **preventative measures** would help save money in this service.
- 64** - Would like the council to **lobby the government** for changes to the way adult social care is funded.
- 53** - Suggested a way to save costs in this area is by **reducing service levels**, including reducing the amount of care people receive.

Adults Services

We asked: Where could we make savings within this area?

Here is a sample of responses across different themes:

Page 390

“Not cutting areas but streamlining, looking for better value and not spending money unnecessarily. Need to look at how other councils make savings in this area and copy these if we can. Provide more support for carers to reduce the speed at which people enter care (offer support to stay at home, help family to care for family members). Align transport costs.”

“Reduce levels of Management to increase funds to employ more care workers”

“Adult Services shouldn't need to make savings, the work they provide is essential and the government should recognise this and do more to help.”

“Overall the council needs to modernise and use its budget and spending appropriately, currently there is too much bureaucracy and over spending and not enough efficiency.”

“Spend more on preventative measures to stop future spending. Cutting this now would only make the problem even worse in a few years.”

“Improved means testing and charges for care for those that can self fund”

“I think private providers are getting quite rich off the price increases while the council loses out, it's time to change that. maybe the council should stop using private providers and have their own in house service which has a cost model that suits the needs rather than someone else's pockets.”

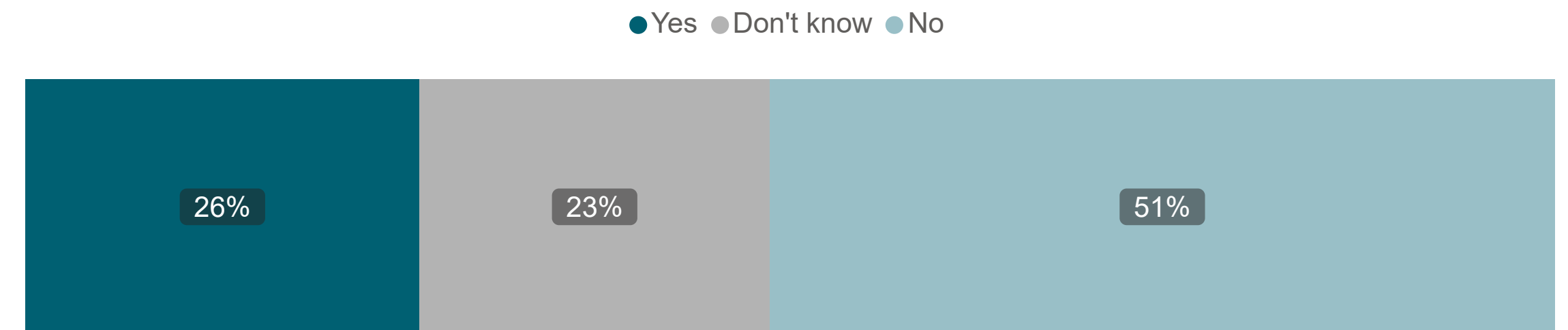
Children and Family Services

Similarly to Adults Services, overall, 26% of respondents were in favour of the Council looking to make savings to discretionary services within Children's Services, with 51% against.

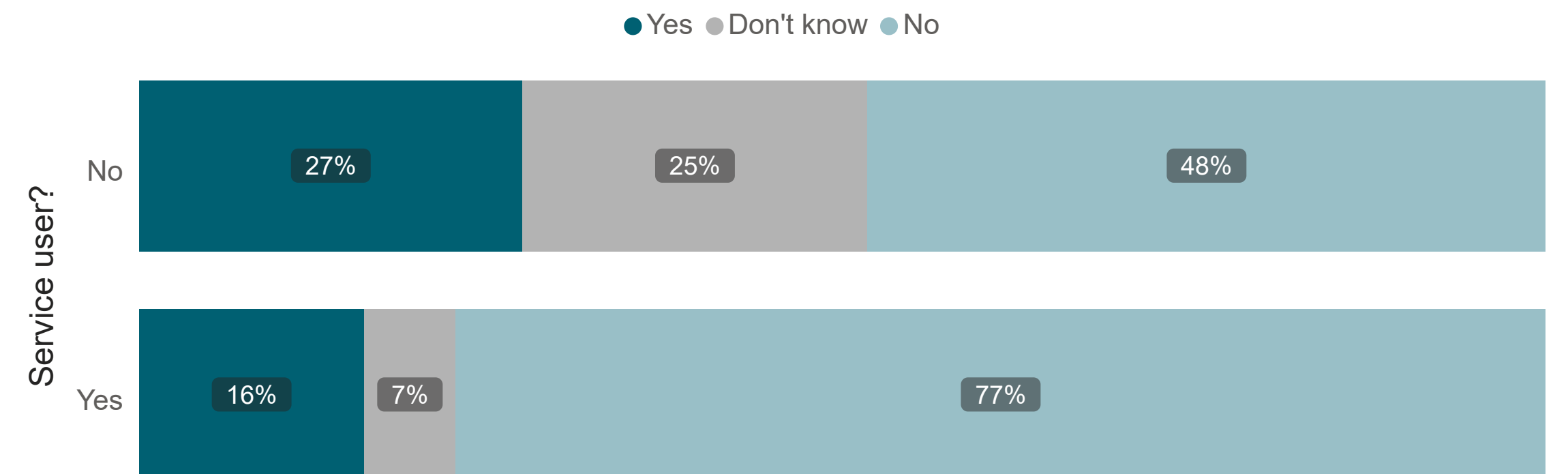
Again, the results show that people with direct experience of Children's Services were more likely to be against making savings in this area.

Page 391

Do you think we should consider making savings to discretionary services within Children and Family Services? - all respondents



Do you think we should consider making savings to discretionary services within Children and Family Services? - by whether a service user



Children and Family Services

We asked: Where could we make savings in this area?

This was a free text section where 25.42% of respondents left a comment, 1,485 comments in total.

We analysed the responses and these are the key themes:

- 299** - Suggested that there should be a **review in ways of working**, this might include looking at early prevention methods, reducing how much is spent on a small number of people, finding efficiencies and reviewing contracts with providers.
- 217** - Felt that **no cuts** should be made to this service area.
- 167** - Expressed that **staffing and pay** needs to be reviewed, fewer managers, and lower pay for senior staff.
- 147** - Believed that **children's transport** needs to be examined, many respondents said there is huge amount of waste in particular relating to school transport and taxis for children with SEND.
- 99** - Proposed better investment in **preventative measures**, early help and support for families.
- 94** - Recommended revising **fees and charges**. Some suggested families who use these services could be charged.
- 91** - Commented that the council should **stop wasting money** in this service. Many of these comments related to school transport, using agencies and private companies to provide services particularly for care.
- 79** - Suggested that all **non-essential services** should be stopped.
- 67** - Believed services should be **brought in house**. This might include transport, agency staff and care homes.
- 57** - Suggested that more rigorous means testing needs to be done and to **review criteria** for who is eligible for support.
- 54** - Recommended that more **partnership working** takes place. Some of the suggestions are to work more closely with the NHS, Town, Parish and City Councils, and voluntary organisations.

Children and Family Services

We asked: Where could we make savings within this area?

Here is a sample of responses across different themes:

Page 393

“Improve provision in alternative settings and reduce wasted costs on transport for pupils in alternative provision e.g. private taxi hire. Regulate costs charged by alternative provision settings for pupils not in state education.”

“There are a lot of children already struggling due to cuts, again this needs more support not less. These children are our future and should be supported”

“I don’t believe there are savings to be made in this sector. In fact, I believe very strongly that teachers are underpaid and underappreciated in our society - investment in children should be our biggest priority, far more so than investing in aged care and the pension.”

“We have lost many early help services and losing more will only increase costs in the long term. Prevention is the key to saving costs and doing what is best for children and young people”

“Reduce the number of managers”

“The obscene amount spent getting SEND children to school. Let the parents get them there like everyone else has to.”

“Stop sending children to school via taxis.”

“By investing in early help and emotion coaching and mental health support for families and young people to reduce the amount of mental health and trauma in children and young people. By following recommendations of the creative health review and supporting more creative wellbeing interventions in schools to allow children and young people to express and process trauma and emotional difficulties. low cost interventions that will save money in long term.”

Community Services

In this section we asked if we should continue to fund discretionary Community Services. Overall, the majority (52%) said 'yes', with 18% responding 'no'.

We also asked people to rate Community Services by how important it is that we continue to fund them. The graph shows the services rated most important at the top, with public toilets, parks and beaches, leisure services and pools, and libraries coming out on top.

Do you think Somerset Council should continue to fund discretionary Community Services?

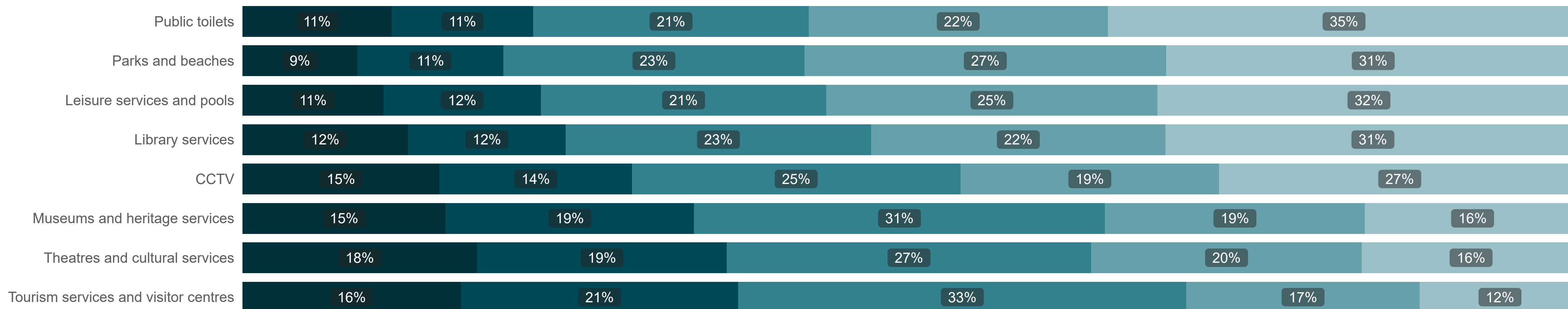
● Yes ● Don't know ● No



Page 394

How important is it to you that Somerset Council funds the following?

● 1 (Least important) ● 2 ● 3 ● 4 ● 5 (Most important)



Community Services

We asked: Where could we make savings in this area?

This was a free text section where 25.29% of respondents left a comment, 1,477 comments in total

We analysed the responses and these are the key themes:

- 208** - Suggested **reviewing ways of working**, these suggestions are in a variety of different ways including reducing opening hours, looking for efficiencies, and using libraries for more services.
- 185** - Proposed a review of **fees and charges**, with many suggesting charging a fee for some services, making space available for hire in libraries, ensuring museums and theatres are self-sufficient.
- 168** - Stated that they **do not want cuts** to these services.
- 164** - Expressed that **services should be reviewed**, some suggested tourism services should be self-sufficient, opening hours reviewed, changes to who manages CCTV.
- 128** - Suggested that all **non-essential services** are stopped.
- 111** - Believe that **volunteers** could be used further to run services and help make savings in this area.
- 104** - Suggested that **staffing and pay** levels should be reviewed.
- 92** - Proposed reducing **service levels** to make savings This might be through cutting hours, removing funding to museums and tourist services.
- 92** - Suggested **alternative funding streams** should be looked at for leisure facilities, theatres and other discretionary services.
- 84** - Proposed more **partnership working**, particularly for CCTV. Also suggested working more closely with the Voluntary and Community Sector, and private businesses.
- 82** - Recommended **devolution** for many community services, delegating a lot more to City, Town and Parish Councils.
- 58** - Said there should be **less money wasted**.
- 50** - Suggested that many of the cultural services should be **self-supporting**, this includes, theatres, museums and leisure facilities.

Community Services

We asked: Where could we make savings within this area?

Here is a sample of responses across different themes:

Page 396

“Tell all the various services that you currently support that they are on their own and will have to fund themselves or close. If local businesses want to attract ‘tourists’ then let them pay to support things that tourists expect to find.”

“Reduced opening hours, staffing cuts, closure of selected services dependant on equity of distribution across the county (rural services prioritised as much as towns). Merging of services/staff where possible e.g. museum and library/theatre etc.”

“Higher parking charges in some areas eg for theatres and beaches”

“The Libraries are an absolute godsend for my mental health and my wellbeing. I would be lost without them in my community. The staff are what make a library a warm and welcoming space. Long may they continue.
Swimming pool facilities are not required where I live, there is 2 private pools in the town, why would you need to go to a pool elsewhere with this service so close?”

“Parks and gardens could be done by the Town and Parish councils. There are teams doubling up in some areas which seems crazy. CCTV should be managed by the police not a council.”

“Pass on responsibility locally to parish/town Councils who can budget accordingly with no restrictions on their precept”

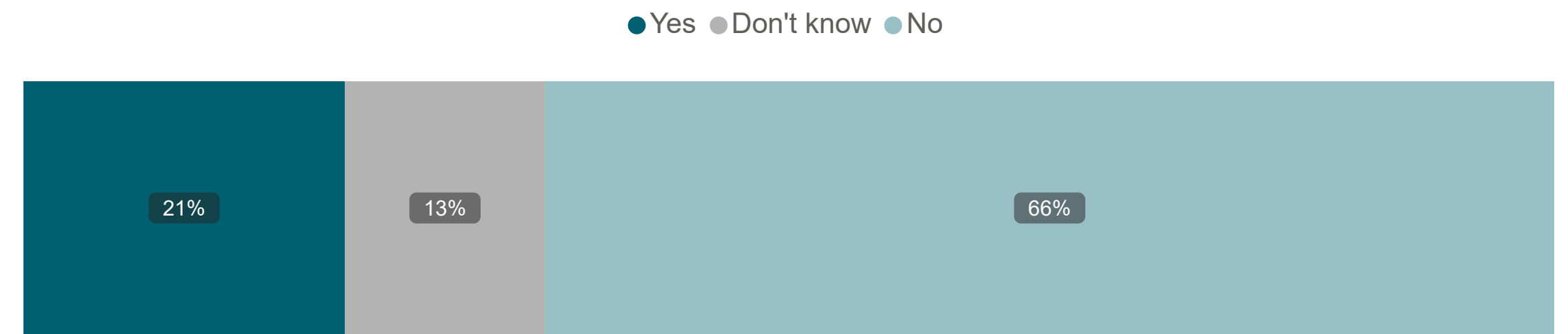
“Savings in this sector will have a detrimental impact on the quality of life in Somerset that cannot be reversed. Museums and heritage deserve to be funded and supported even at this time of financial hardship. They cost very little in the overall budget context.”

Highways and public transport

We asked if we should consider making savings to discretionary services within highways and public transport. A clear majority (66%) responded 'no' with just 21% responding 'yes'.

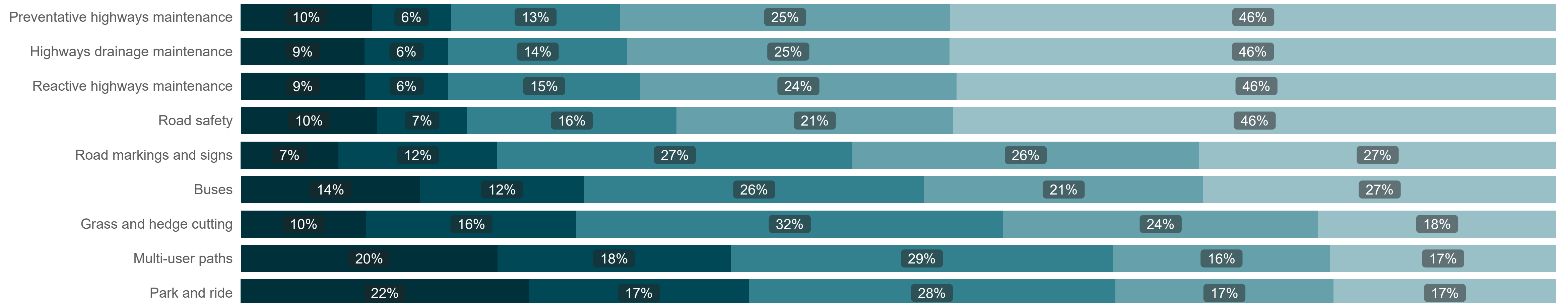
We also asked people to rate services by importance. The graph shows these in order with strong support for highways maintenance services.

Do you think we should consider making savings to discretionary services within highways and public transport?



How important are these services to you?

● 1 (Least important) ● 2 ● 3 ● 4 ● 5 (Most important)



Highways and public transport

This section provides data about how satisfied people are with current highways maintenance service levels. More than half (54%) of respondents are either very dissatisfied or dissatisfied with current levels, with (18%) satisfied or very satisfied.

We also asked what impact any reductions to highways maintenance would have on respondents and their communities. Big majorities felt this would have a negative impact on both themselves (74%) and their communities (81%).

Both results correspond with the concerns section of the survey, with condition of roads and pavements being the top concern of respondents. People were also concerned about the cleanliness of streets and public transport.

In this section we also asked how often people use buses. 18% of respondents said they currently use buses regularly (at least monthly), while 37% said they never use buses. We know from the free text section that we had many comments about public transport, with many people saying they would use buses if there were more services.

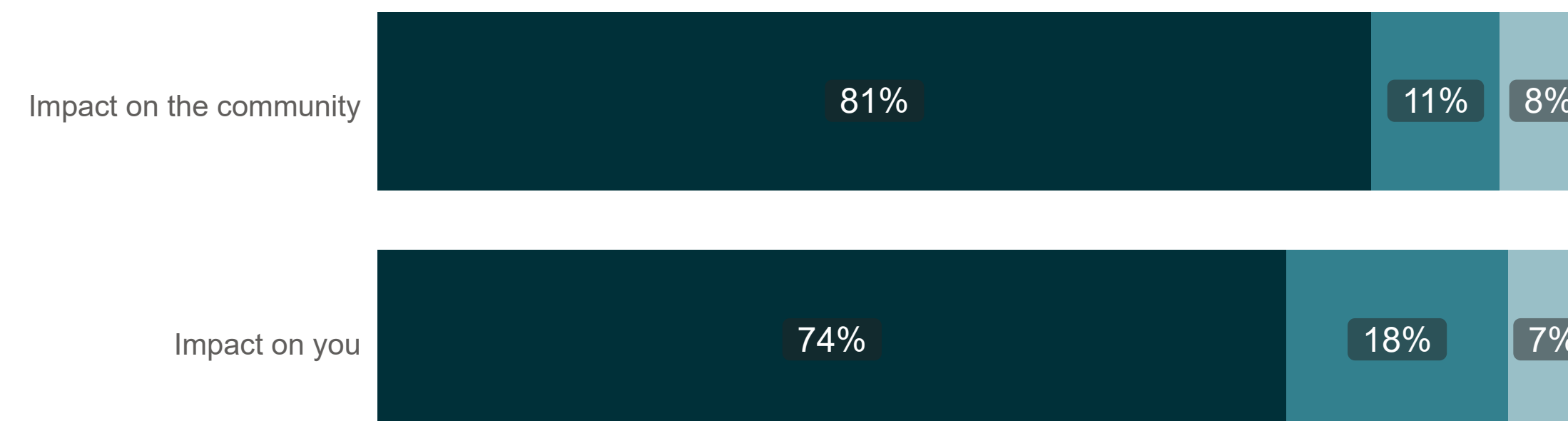
How satisfied are you with current highway maintenance service levels?

● Very Dissatisfied ● Dissatisfied ● Neither satisfied/nor dissatisfied ● Satisfied ● Very satisfied

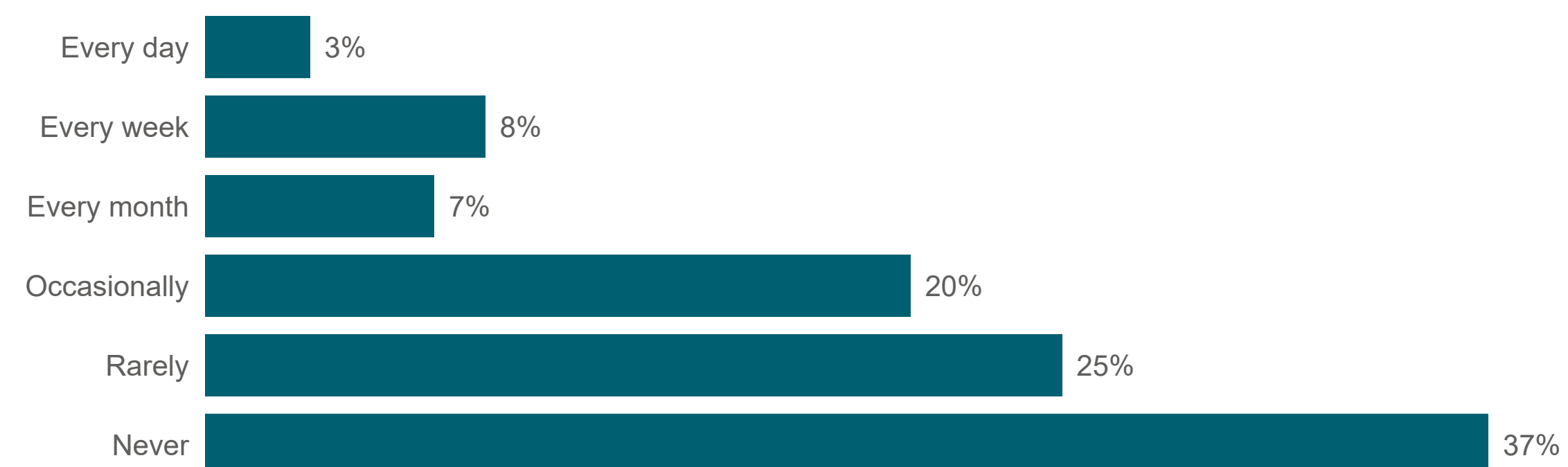


What impact do you think reducing highways maintenance would have on you and your community?

● Negative impact ● Little/ no impact ● Positive impact



How often do you use public buses in Somerset?



Highways and public transport

We asked: Where could we make savings in this area?

This was a free text section where 31.60% of respondents left a comment, 1,846 comments in total.

We analysed the responses and these are the key themes:

- 464** - Commented that the current **public transport** service is already stretched and not enough people use it but suggested this is due to a poor service. Many felt that bus services should not be reduced.
- 404** - Suggested that there should be a **review in ways of working**, this could include reviewing contracts, improving pothole repairs, reducing the number of large highways projects, using smaller buses.
- 255** - Stated their preference is there should be **no cuts to funding** in this area.
- 227** - Recommended that there should be **investment in preventative measures** to help reduce long term costs.
- 212** - Suggested **reviewing service levels**. This could be through using small vehicles but with more frequency, turning off street lights earlier, stopping giving out free bus passes, reducing hedge and grass cutting.
- 202** - Proposed **increasing fees and charges**, this could be charges for the park and ride, or removing concessionary travel and introducing means testing.
- 108** - Believe that the council should **stop wasting money**, this may be in large road projects, poor road repairs and staffing levels.
- 104** - Suggested **managing contracts** could be improved, holding the contractors and utility companies responsible for poor repairs.
- 100** - Identified **grass cutting** as an area where savings could be made.
- 93** - Recommended **being proactive** rather than reactive with highways maintenance resulting in longer term savings.
- 76** - Expressed views that **staffing and pay** should be reviewed, reducing the number of staff and councillors.
- 66** - Suggested a **review of funding streams** should be undertaken, some suggest public transport should be funded nationally, grass and hedge cutting to be devolved or the responsibility of landowners.
- 58** - Recommended **stopping all non-essential spending** and only providing statutory services.

Highways and public transport

We asked: Where could we make savings within this area?

Here is a sample of responses across different themes:

Page 400

“Charge more for the Park and Ride. Public transport is dire at the moment. Towns like Yeovil are completely disconnected from Taunton and Ilminster. We need to keep the climate agenda front and foremost and improve the quality of public transport, not diminish it. Let towns manage their own road budgets.”

“I don’t use the bus as its too expensive and infrequent but we are a rural area and we need more buses that are affordable not less especially for the you g and elderly”

“I really want to be able to use the buses more, but can’t rely on them, and can’t easily get to where I need to go on them. Improving bus provision would save money in other areas.”

“Please, please don’t cut bus services, we are a rural county and need to enhance the bus services to reduce single-occupancy car use.”

“By being more proactive rather than having to repair when there is a problem, improve drainage as this has a massive impact on local people particularly.”

“Reduce size of busses. Use of mini busses. Make service more on call.”

“Should bus passes be free? What if you asked for a voluntary contribution to a bus pass?”

“Ask Parish Councils to contribute financially towards the upkeep of their communities in terms of highway/sign/line/ maintenance and road safety”

Waste Services

Overall respondents were supportive of waste services, and as noted earlier, a very large proportion of respondents (4,840 people) said they had used recycling centres in the past 12 months.

When asked if we should consider making savings to waste services, 66% voted 'no'.

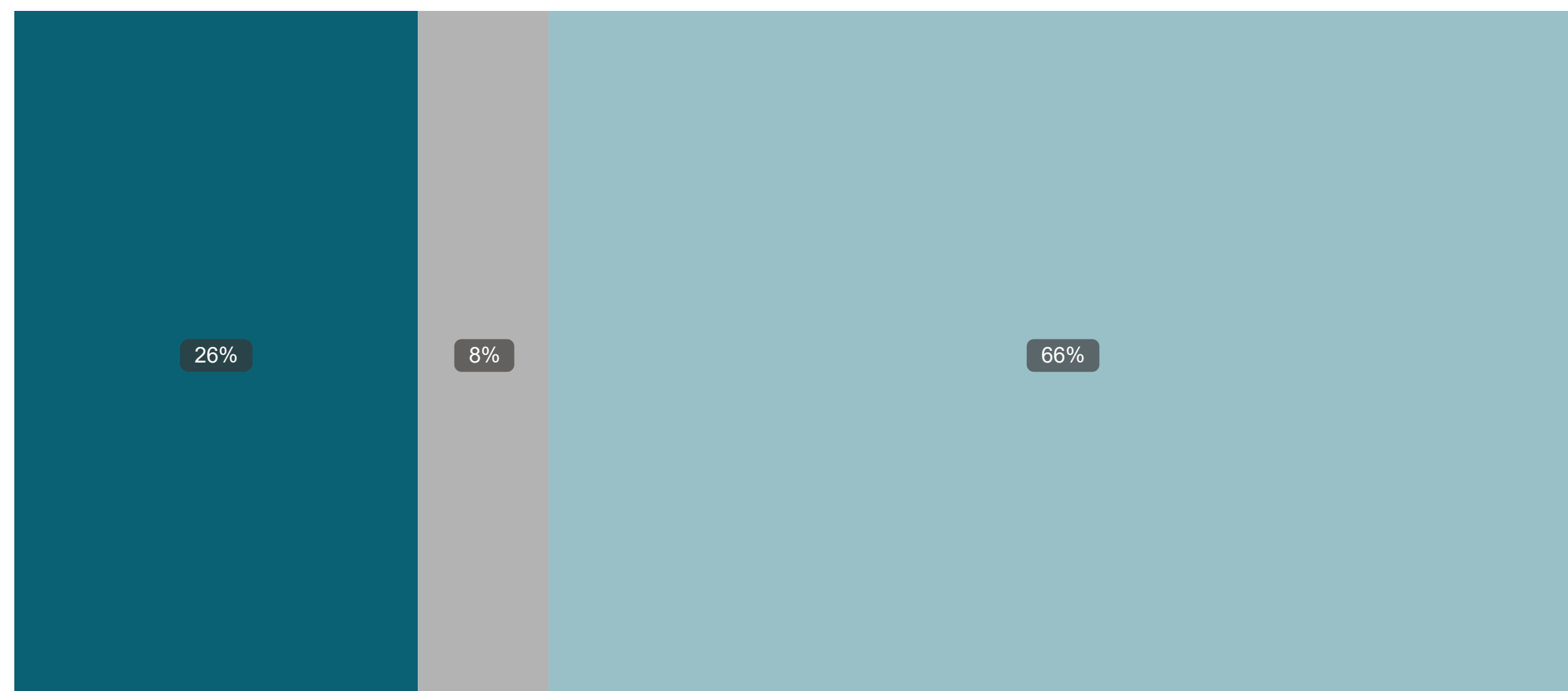
A large majority (79%) were against any proposal to reduce the number of household waste recycling centres. However, there was more support for a proposal to reduce opening hours, with 48% in favour and 43% against.

Overall, there was strong support (67%) for a proposal to introduce a permit system so only Somerset residents can use Somerset recycling centres.

Page 401

Do you think we should consider making savings to waste services?

● Yes ● Don't know ● No



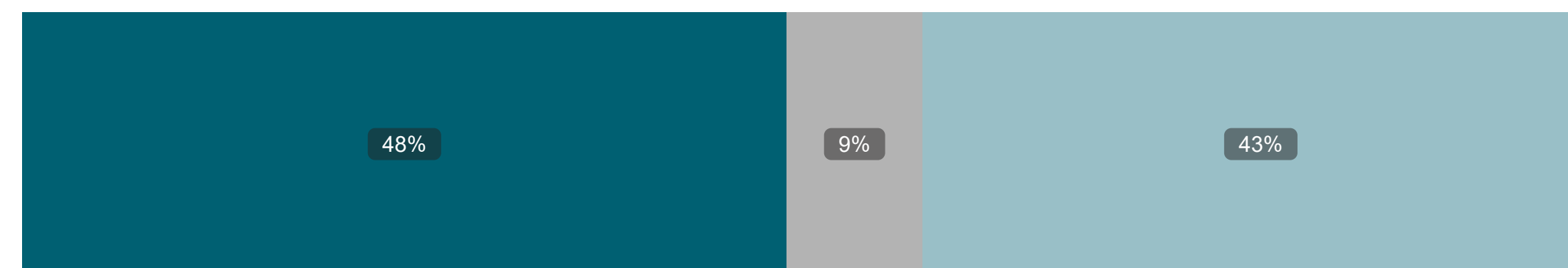
Would you support a proposal to reduce the number of household waste recycling centres?

● Yes ● Don't know ● No



Would you support a proposal to reduce opening hours at household recycling centres?

● Yes ● Don't know ● No



Would you support a proposal to introduce a permit to restrict waste collected at our recycling centres to Somerset residents only?

● Yes ● Don't know ● No



Waste Services

We asked: Where could we make savings in this area?

This was a free text section where 33.44% of respondents left a comment, 1,953 comments in total.

We analysed the responses and these are the key themes:

- 659** - Felt that there **should not be any cuts** made in waste services.
- 336** - Suggested that **charges** could be introduced for some services, such as using recycling centres and increase the **fees** for green waste bins. Others expressed concern that introducing charges would increase fly tipping.
- 314** - Proposed **reviewing ways of working**, this could be using bags instead of boxes, reducing the regularity of collections and promoting the reuse shops at recycling centres.
- 229** - Recommended **reviewing opening hours at recycling centres**, many suggesting the reducing opening hours.
- 157** - Felt that having **fewer waste collections** would be a way to reduce costs.
- 122** - Stated that services should be **limited to Somerset residents only** and Somerset could follow other councils by introducing permits.
- 97** - Suggested a number of ways to reduce costs by **reducing the service level**, these include changes to collection frequency and reduced opening hours at recycling sites.
- 92** - Proposed **increasing education** about waste and recycling, to reduce the amount of waste created by households.
- 64** - Recommended looking for cheaper alternatives to the current **recycling bins**.
- 58** - Expressed views that **staffing and pay** could be reviewed, some suggested that there are too many staff at recycling centres, others suggested reducing pay and having fewer.
- 57** - Believe that more could be done with the **refuse shops** at recycling centres.
- 56** - Suggested **simplifying waste collections**, some people believe there should be fewer boxes and bins, some have suggested it all goes in one bin and get sorted elsewhere.
- 52** - Recommended **generating additional income** via selling goods at refuse sites.
- 51** - Think that there should be an **increase in prosecution** for people fly tipping or not recycling.

Waste Services

We asked: Where could we make savings within this area?

Here is a sample of responses across different themes:

Page 403

“Very tough to do anything much as the cost of dealing with fly tipping will likely outweigh any savings.”

“Charge non-residents Charge for items that incur larger fees to dispose of, maybe have a sliding scale of charges for large items.”

“Recycling collections every 2 weeks rather than every week, non recyclable collection every 3 weeks rather than every 2.”

“Reduce hours open. Do not charge for the larger recycling centres, as risk of more fly tipping. Maybe bring back in shops in the recycling centres to sell goods, like was previously done and is still done in Devon county. This could be a money maker for the council?”

“I’m surprised that recycling centres aren’t permit controlled. They are in many other areas. The current service isn’t stopping people from fly tipping, it’s a real problem in the rural areas”

“Any attempt to reduce access to recycling centres or introduce charges will only lead to more fly tipping. The only options for savings are by reducing household recycling and simplifying all the different collections but this would not be good for the environment.”

“Higher charges for fly tipping”

“Bring the service ‘in house’ with Council employee’s running the sites, you cannot sub contract a service and save money.”

Generating additional income

We asked: Do you have any suggestions for how the council can generate additional income?

This was a free text section where 44.22% of respondents left a comment, 2,583 comments in total.

We analysed the responses and these are the key themes:

- 592** - Suggested we should look at the levels of **staffing and pay** across the council, many recommended having fewer managers and lowering the pay of senior staff.
- 522** - Recommended that **fees and charges** should be increased, these included parking fees, garden waste collection charges, and suggestions for higher council tax for second homes. There were also suggestions to introduce small fees for some services that are currently free.
- 498** - Stated that changes should be made to general **ways of working**, this could be looking at how to run services more efficiently and increase productivity, selling assets, or reviewing who is supported.
- 312** - Expressed views that the council should **sell assets** to help balance the budget, some suggestions that there are too many offices, and these could be sold.
- 270** - Suggestions about **wasting less money**, being more selective about future projects and not letting contractors charge inflated prices and get good value for money.
- 143** - Proposed **renting out council owned buildings** such as office blocks to generate income.
- 129** - Specified that the council should look for more **commercial ways to generate income**, through advertising on council land, renting property, charging for services or introducing a tourist tax.
- 127** - Recommended that all **non-essential spending should stop**, this would include all discretionary services such as tourist information centres, swimming pools and theatres.
- 106** - Stated that we should be **lobbying the government** for more support and to look at local council funding streams. Some suggestions that social care should be centrally funded.
- 103** - Suggested that by **investing in local towns** more income could be generated in the local area through tourism and making Somerset a more desirable place to live.
- 198** - Recommended that the council takes a **proactive approach to cost management**; reducing staff, looking for more cost effective suppliers, look for savings like fewer street lights and more staff working from home.
- 82** - Expressed that they would like services to be **brought in house**, particularly adult social care, children's care and using fewer contract workers.

Generating additional income

- 73** - Proposed a greater level of **partnership working**, this could include working with the Police for CCTV provision, the NHS for social care and devolution to parish councils.
- 72** - Shared concern that **Unitary** had not brought the level of savings that were originally expected.
- 69** - Suggested that **Councillor allowances** be reduced.
- 67** - Indicated that the council should increase income via **Business rates**, some suggested this could be done by reducing business rates others suggested investment in towns would encourage more businesses to the area.
- 64** - Thought that increasing **parking charges** in certain places like beaches would be beneficial. Others suggested that reducing or removing parking charges in some areas would help with town centre footfall.
- 59** - Commented on **active travel and public transport**, many said public transport should be increased and improved, specifically buses and more work to encourage more people to use them.
- 57** - Recommended reducing the **number of Councillors**.
- 54** - Expressed views that **Council Tax on second homes should be increased**.
- 53** - Stated that the council **should not make any cuts**.
- 53** - Suggested **reducing the levels of service**, this could be via reduced opening hours of certain amenities such as recycling centres or by reducing benefits and social care support.

There were many other comments that included suggestions to increase Council Tax, devolve assets and services to City, Town and Parish councils, using volunteers and selling council expertise externally.

Generating additional income

We asked: Do you have any suggestions for how the council can generate additional income?

Here is a sample of responses across different themes:

“Cut top salary jobs. No need to have such highly paid positions”

“A tourist tax. They do this on the continent. It is accepted there. It will help pay for some of the services they use, and the high standard we try to have.”

“Look at venues with the potential to become hire facilities as well. Hiring out a cost per hour office space/rooms for people who may need somewhere to work from in this hybrid era. Can Council property assets have the potential to take in another service such as a library and this then allows the building to be closed.”

“sell the land and properties you do not use. stop wasting money on needless things, look at what you actually spend, be more resourceful with people, time and costs”

“Central Government need to fund local councils properly. Keep Social care separate from other services as its always the most costly and other services suffer. Adult and children’s social care and mental health should be a completely separate entity from local Councils.”

“Bring care workers back under county control to avoid high agency fees”

“It’s not so much as generating more income but using the income and resources more effectively and efficiently.”

“Continued/increased recovery of unpaid debts, particularly council tax”

“Increase the Council tax above the rate of 4.99% WITH agreement from central government if they are unable to fund services properly.”

“There is as wealth of knowledge amongst council employees. Could some of this be utilised in offering Training and information to local private sector for a fee?”

“Ask for voluntary donations at places such as the recycling centre and the library”

“Higher Council Tax on Air BNB, second home, holiday lets and second homes.”

“Do not waste money on a massive refurbishment of the theatre in Yeovil, it can be done up much cheaper than was planned.”

“Have more events in Vivary park (and our green spaces) to bring in tourism - advertising more widely. Bringing people from outside the area. Creating a town centre festival to draw people in.”

Further comments

We asked: If you have any further comments you wish to make please write them in the box below.

This was a free text section where 31.69% of respondents left a comment, 1,851 comments in total.

We analysed the responses and these are the key themes:

- 337** - Believed that **no cuts to funding** should be made.
- 289** - Expressed that **ways of working** should be reviewed.
- 278** - Felt that **staffing and pay** should be assessed, many felt there are too many managers, that senior staff should be paid less and there should be fewer agency staff and fewer consultants.
- 180** - Suggested the council should **stop wasting money**. Many of these comments related to large building projects, roads and infrastructure projects, efficient ways of working and staffing.
- 162** - Suggested **reviewing spending** would assist with making savings, some suggestions were reviewing contracts, staffing, and reducing services.
- 160** - Comments about **Council Tax**. These comments were a mixture of suggestions to raise council tax or people saying they do not want to see council tax raised.
- 127** - Made statements about **unitary**, many suggest the savings that were expected have not been found.
- 115** - Suggested **supporting the local community**, this could be through improved town centres, public transport, supporting young people and promoting the area.
- 93** - Recommended increasing **fees and charges**, including parking, waste and introducing fees for some services which are currently free.
- 88** - Expressed a view that the council should be doing more to **lobby the government**.
- 77** - Believe that despite the savings that are needed it was important to **protect vulnerable people**.
- 58** - Commented that they wish for **more transparency** in council spending.

Further comments

We asked: If you have any further comments you wish to make please write them in the box below.

Here is a sample of responses across different themes:

“All councils need to operate as a business with adequate structure in place to prevent wasted time and money. They need to stop using inefficient contractors just because they are cheaper - this often results in works having to be redone in a short period of time, so not cost effective.”

“Use local litter groups to help you - a call for action would be great - we can help make our towns a better place. The state of verges on main roads are dreadful. And stop cutting grass before litter is collected. Every year I complain and am told it is collected first only to see verges covered in shredded litter.”

“Do the salaries of Somerset Council employees really reflect the effectiveness of their positions? i.e. how many are high earners? Is this essential when services are having to be cut instead?”

“Its unfair to keep putting up the council tax especially on young families and single people and cutting back on services. It is so unfair on those that work who have next to nothing left after paying their bills.”

“I don't think you should have made yourselves a unitary council, I feel this was somewhat short sighted”

“I encourage the Council to challenge Westminster and to not be afraid to make its case publicly. If Somerset Councillors stand up and expose the double standards and hypocrisy of central government they can demonstrate leadership in the sector, bringing other Councils along to demand a fair deal from the tax revenue in the UK”

Feedback provided via social media

We have captured feedback gathered via social media channels, this includes; Facebook, X (formerly known as Twitter), LinkedIn, Nextdoor and Instagram

In total we received 353 comments directly on posts about the budget consultation and have split these into the following categories:

- 37** - Expressed views that staff salaries / pensions / redundancy payouts should be reduced
- 33** - Expressed views that the financial situation Somerset is facing is due to mismanagement
- 14** - Suggested council is wasting money / not being efficient in the ways it spends money
- 14** - Expressed views that unitary negatively impacted finances
- 12** - Expressed frustration about paying more for fewer services
- 83 - Other
- 165 - Not relevant - political, not service related or just ongoing discussion from other comments etc

Feedback provided via email

We also received 17 emails relating to the budget consultation and have split these into the following categories:

- 7** - Expressed concerns about fly tipping if recycling sites were closed
- 5** - Expressed views that savings could be made by looking at specific schemes and services e.g. Octagon / Yeovil Refresh / Highways works
- 3** - Expressed concerns about the impacts of closing public toilets
- 3** - Expressed concerns about the negative impact on health and wellbeing if the Yeovil Athletics Track is closed
- 2** - Expressed concerns about the impact on parks if no longer locked in the evening
- 1** - Expressed frustration about paying more for less services
- 1** - Expressed views/concerns that they either won't or can't pay for higher council tax
- 1** - Feedback on rural public transport
- 1** - Expressed concern over library closures



Somerset
Council

Strategic Risks

- The council has two strategic risks associated with its finances themselves being **ORG0057 concerning a sustainable MTFP** and **ORG0070 being the risk of a budget overspend in the current financial year**. However, there are a number of other Strategic Risks associated with the budget and these are included in the table below to ensure that the complete picture is provided.

Strategic Risks associated with the budget

JCAD Ref	Risk description	Inherent score		Mitigation	Residual score		Owner
		L	I		L	I	
ORG0057	Sustainable MTFP Cause: High inflation, high interest rates, HRA, capital programme, income not increasing sufficiently Consequence: Issue S114 notice	5	5	<ol style="list-style-type: none"> 1. MTFP updated 24/25 to 26/27 2. MTFP board in place 3. Establishment control, procurement and spending boards in place 4. Regular budget monitoring 5. Review of pressures 24/25 6. Bright spark initiative in place 	5	5	Executive Director – Resources & Corporate Services
ORG0070	Budget overspend Cause: Rising interest rates impacts cost of borrowing; labour market (pay rises, recruitment difficulties) Consequence: service changes to reduce spend	5	5	<ol style="list-style-type: none"> 1. MTFP updated 24/25 to 26/27 2. MTFP board in place 3. Oversight boards in place – establishment, procurement and spend 4. Regular budget monitoring 5. Bright spark initiative in place 6. Deep dive children and families 	5	5	Executive Director – Resources & Corporate Services

ORG0065	Workforce – inability to retain and recruit Cause: can't compete with private sector Consequences: Use of agency staff, staff wellbeing	5	5	<ol style="list-style-type: none"> 1. Workforce Strategy 2. Review of Job Evaluation 3. Maximise apprenticeships 4. Staff comms and engagement 5. Active staff networks 	4	5	Service Director – workforce
ORG0078	Failure to deliver a business case for workforce transformation Cause: unclear council direction, capacity Consequence: Not being able to determine impacts on budgets for 24/25 and beyond	4	5	<ol style="list-style-type: none"> 1. Development of business case 2. Consultation with Unions and staff 	3	5	Service Director Workforce
ORG0079	The risk that the Government will make further policy changes that affects future funding of social care Cause: Government policy change Consequences: Reduced funding impacting services that can be delivered	4	5	<ol style="list-style-type: none"> 1. Ongoing review of policy announcements relating to social care 	3	5	Executive Director – Adult Services
ORG0080	The risk of increasing demand on services and the impact this could have on services and budgets	4	5	<ol style="list-style-type: none"> 1. Regular budget monitoring of service budgets 2. Regular reviews of service performance 	3	5	Executive Director for Strategy, Workforce and Localities

	<p>Cause: Cost of living crisis, impacts of high rents</p> <p>Consequence: Longer to provide services, increase budget for statutory services</p>						
ORG0081	<p>The risk that the Government will reduce Local Government funding, impacting the sustainability of the service levels at current levels</p> <p>Cause: Government financial position</p> <p>Consequence: Reduced budgets, reduced service levels and staff</p>	4	5	<ol style="list-style-type: none"> 1. Ongoing discussions with Government 2. Monitoring policy changes for impacts across all service areas 	3	5	Executive Director – Resources & Corporate Services

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Number Reference	Somerset Council Reserve	Description of Reserve	Service Director	Balance as at 31/03/2023 '£000	Adjustments (Transfers & MTFP) '£000	Balance at 01/04/2023 '£000	Forecast net transfers to/from earmarked reserves '£000	Forecast balance as at 31/03/2024 '£000	Forecast net transfers to/from earmarked reserves '£000	Forecast balance as at 31/03/2025 '£000
1	Capital Funding (RCCO)	Revenue contribution towards capital projects	Executive Director - Resources & Corporate Services (S151) Service Director - Finance & Procurement (Deputy S151)	1,771	587	2,358	0	2,358	0	2,358
2	Collection Fund (TIG)	Tax Income Guarantee (TIG) cost spread over 3 years to mitigate business rate losses that have also been spread over 3 years	Service Director - Finance & Procurement (Deputy S151)	1,341	185	1,526	(1,526)	0	0	0
3	NDR Volatility	Potential shortfall in business rates income	Service Director - Finance & Procurement (Deputy S151)	0	3,855	3,855	0	3,855	0	3,855
4	NDR Section 31	s31 balances due to NDR Retail reliefs	Service Director - Finance & Procurement (Deputy S151)	10,142	(10,142)	0	0	0	0	0
5	Insurance	Funds set aside for insurance claims made against the council	Service Director - Finance & Procurement (Deputy S151)	8,558	0	8,558	0	8,558	0	8,558
6	Elections	Funds set aside to pay for future local elections	Service Director - Governance, Democratic Services & Legal	703	(33)	670	(35)	635	218	853
7	Toneworks Heritage Site	Historic England funding for Heritage Projects	Service Director - Culture	435	0	435	0	435	0	435
8	S106	Interest earned on S106 monies, funding capital projects or either paid back to the developer	Executive Director - Resources & Corporate Services (S151) Service Director - Finance & Procurement (Deputy S151)	1,178	0	1,178	0	1,178	0	1,178
9	Apprentices	Funding held to cover apprenticeship posts	Service Director - Workforce	338	0	338	(135)	203	(76)	127
10	Ash Die Back	To fund cost of ash dieback response	Service Director - Infrastructure & Transport	643	0	643	(543)	100	(100)	0
11	Three-Year Rolling Reserves	Commitments for the three year rolling reserves	Service Director - Economy, Employment & Planning	649	0	649	(549)	100	0	100
12	Homes & Horizons (previously Building Local Capacity)	Strategic Partnership with Homes to Inspire to set up children's residential homes. This reserve is for the mobilisation and set up costs for Homes and Horizons residential homes, high needs fostering and therapeutic education.	Service Director - Children's Commissioning	1,670	0	1,670	(1,226)	444	(444)	0
13	Business Support System (ERP)	To support local government reorganisation new systems.	Service Director - Information Communication Technology	3,873	0	3,873	0	3,873	0	3,873
14	Schools Interest (previously Children & Learning Commissioning)	Interest on schools balances to be used within education.	Service Director - Education, Partnerships & Skills	424	0	424	0	424	0	424
15	Community Development Fund	Funding held for development projects.	Service Director - Economy, Employment & Planning	2,860	(2,347)	513	(50)	463	(463)	0

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16	Crewkerne Car Park	Agreed retainment of funds for car park project to safeguard project.	Service Director - Infrastructure & Transport	0	413	413	(413)	0	0	0
17	Economic Development Fund	Funds set aside to deliver specific economic growth (i.e. enterprise zones)	Service Director - Economy, Employment & Planning	899	0	899	(300)	599	(300)	299
18	Economic Recovery	Funds set aside for economic recovery programmes	Service Director - Economy, Employment & Planning	4,355	(2,700)	1,655	(50)	1,605	(50)	1,555
19	ED Fund	Business Rate Retention - for Somerset economic projects	Service Director - Economy, Employment & Planning	872	(58)	814	0	814	(200)	614
20	Environment Commuted Sums	Commuted sums to be held for liability claims	Service Director - Infrastructure & Transport	1,928	0	1,928	0	1,928	0	1,928
21	Grant Funding	Various government grants ringfenced for a specific purpose (with conditions).	Various	12,011	(1,700)	10,311	(1,969)	8,342	(5,057)	3,285
22	Homes for Ukraine	Agreed funding for supporting Ukrainian Refugees into the County.	Service Director - Housing	276	0	276	(125)	151	(151)	0
23	Investment Property Risk Reserve	Mitigates budget risk for investment net income volatility.	Service Director - Strategic Asset Management	13,231	(5,231)	8,000	(2,913)	5,087	(3,672)	1,415
24	Local Government Reorganisation	Funds to support Local Government Reorganisation.	Executive Director - Resources & Corporate Services (S151)							
			Service Director - Finance & Procurement (Deputy S151)	11,861	(8,700)	3,161	(3,161)	0	0	0
25	MTFP Support	Funds to support any shortfalls in the budget.	Executive Director - Resources & Corporate Services (S151)							
			Service Director - Finance & Procurement (Deputy S151)	30,102	6,764	36,866	0	36,866	(36,866)	0
26	Budget Delivery	To cover the financial impact that it takes to deliver some of the 2024/25 budget savings.	Executive Director - Resources & Corporate Services (S151)							
			Service Director - Finance & Procurement (Deputy S151)	0	0	0	2,526	2,526	(2,526)	0
27	Port - EDF	To cover specific items agreed with EDF.	Service Director - Economy, Employment & Planning	177	0	177	0	177	0	177
28	Hinkley Project	Funding for the Hinkley Point C project.	Service Director - Economy, Employment & Planning	23	0	23	0	23	(23)	0
29	Fuel Poverty Project	Project being run by Housing Service (agreed November 2020).	Service Director - Housing	73	(10)	63	(63)	0	0	0
30	Special Expenses Rate (SER)	SER levied on parishes for work in Mendip.	Service Director - Regulatory & Operations	126	0	126	0	126	0	126

Number Reference	Somerset Council Reserve	Description of Reserve	Service Director	Balance as at 31/03/2023 '£000	Adjustments (Transfers & MTFP) '£000	Balance at 01/04/2023 '£000	Forecast net transfers to/from earmarked reserves '£000	Forecast balance as at 31/03/2024 '£000	Forecast net transfers to/from earmarked reserves '£000	Forecast balance as at 31/03/2025 '£000
31	Taunton Town Council	Funds set aside for set-up costs of Taunton Town Council.	Service Director - Governance, Democratic Services & Legal	68	0	68	(68)	0	0	0
32	Climate Emergency	Pre-committed climate change costs.	Service Director - Climate, Environment & Sustainability	127	(10)	118	0	118	(61)	56
33	Support Young Adults Programme	Funding for Young Adults.	Service Director - Partnerships & Localities	30	0	30	(30)	0	0	0
34	West Somerset Employment Hub	To fund West Somerset Employment hub which helps to support people towards work.	Service Director - Economy, Employment & Planning	70	0	70	(70)	0	0	0
35	Housing Enabling Fund	Committed to the affordable housing development partnership.	Service Director - Housing	53	0	53	0	53	(53)	0
36	Local Plan Development and Inspection Costs	Fund for preparation of statutory plans for site allocation.	Service Director - Economy, Employment & Planning	126	0	126	0	126	(126)	0
37	Steam Coast Trail Project	Funds for use on Steam Coast Trail Project.	Service Director - Economy, Employment & Planning	134	0	134	0	134	(67)	67
38	Cycle Paths	For committed Cycle Path spend.	Service Director - Infrastructure & Transport	50	0	50	0	50	0	50
39	CEEG Grants	Funding for Climate and Ecological Emergency Grants.	Service Director - Climate, Environment & Sustainability	14	0	14	0	14	0	14
40	Cleaner / Greener Mendip	Committed spend as part of the programme agreed in autumn 2021.	Service Director - Climate, Environment & Sustainability	127	0	127	(127)	0	0	0
41	Taunton Cycle Parking	Active Travel Fund to deliver Taunton Cycle Parking.	Service Director - Infrastructure & Transport	16	(1)	14	0	14	0	14
42	Kings of Wessex Pool (Cheddar)	To fund pool maintenance on annual basis.	Service Director - Culture	200	0	200	(200)	0	0	0
43	Saxonvale	Covers any revenue costs of the site/scheme.	Service Director - Strategic Asset Management	274	(124)	150	0	150	(150)	0
44	Workforce Resilience	To cover lone working devices.	Service Director - Workforce	850	(749)	101	(51)	51	(51)	0
45	GF Delivery Project Officer	For approved EDF spend.	Service Director - Economy, Employment & Planning	13	0	13	(13)	0	0	0
46	Blue Anchor Commuted Sum	Blue Anchor Commuted Sum (60 Year Covenant from 2022).	Service Director - Infrastructure & Transport	94	0	94	0	94	0	94
47	Planning Performance Agreements	Hinkley Point C S106 monies.	Service Director - Economy, Employment & Planning	181	0	181	0	181	(60)	121
48	Parking Services	Surplus parking funds, ringfenced to parking, transport and Highways infrastructure.	Service Director - Infrastructure & Transport	1,410	(413)	997	(389)	608	0	608
49	Permitting - Traffic	Surplus Streetworks funds, ringfenced to Streetworks rolling fund.	Service Director - Infrastructure & Transport	1,018	0	1,018	(400)	618	0	618
50	PFI - Building Schools for the Future	Set aside to meet future contract costs of the authorities PFI schools in Bridgwater.	Executive Director - Resources & Corporate Services (S151) Service Director - Finance & Procurement (Deputy S151)	9,265	0	9,265	0	9,265	0	9,265

Number Reference	Somerset Council Reserve	Description of Reserve	Service Director	Balance as at 31/03/2023 '£000	Adjustments (Transfers & MTFP) '£000	Balance at 01/04/2023 '£000	Forecast net transfers to/from earmarked reserves '£000	Forecast balance as at 31/03/2024 '£000	Forecast net transfers to/from earmarked reserves '£000	Forecast balance as at 31/03/2025 '£000
51	Regeneration Fund	Fund to support regeneration projects in the local area.	Service Director - Economy, Employment & Planning	3,969	(2,952)	1,017	0	1,017	0	1,017
52	Revenue Funds to cover Capital Expenditure	Funds to cover reversals of capital expenditure e.g. where a project is no longer going ahead.	Executive Director - Resources & Corporate Services (S151) Service Director - Finance & Procurement (Deputy S151)	226	2,774	3,000	(3,000)	0	0	0
53	School Academy Conversions	Held for deficits where schools become academies.	Service Director - Education, Partnerships & Skills	0	1,000	1,000	0	1,000	0	1,000
54	Social Care Transformation	Funds set aside for transformation projects for Adults and Childrens Services.	Service Director - Adult Social Care Operations Service Director - Commissioning & Learning	2,013	(1,013)	1,000	(950)	50	(50)	0
57	Somerset Works (non ESF)	To fund support to young people not in employment or training.	Service Director - Inclusion	1,101	(300)	801	(600)	201	(201)	0
58	Support Services for Education (SSE)	Surplus trading account for Support Services for Education.	Service Director - Education, Partnerships & Skills	340	0	340	(340)	0	0	0
59	Ticket Levy Income	Levy on each ticket sold for the Octagon for use on future repairs.	Service Director - Culture	414	0	414	(414)	0	0	0
60	Trading accounts	Funds held for Dillington House expenditure.	Service Director - Climate, Environment & Sustainability	2,636	0	2,636	(2,636)	0	0	0
61	Somerset Woods	Donations from the public for tree planting.	Service Director - Climate, Environment & Sustainability	2	0	2	(0)	2	(2)	0
62	Minehead Shelters	Contributions towards the repair of Minehead Shelters.	Service Director - Strategic Asset Management	18	0	18	0	18	(2)	16
63	Internal Capital Loans Reserve	Internal borrowing repayment from revenue	Executive Director - Resources & Corporate Services (S151) Service Director - Finance & Procurement (Deputy S151)	1	0	1	0	1	0	1
64	Service Carry Forwards	Childrens carry forwards agreed at outturn.	Service Director - Inclusion	479	(100)	379	(379)	0	0	0
65	Devolution of Assets & Services	To cover overhead costs for the devolution of assets and services to town and parish councils.	Executive Director - Community Services	0	0	0	600	600	0	600
66	Released			21,812	(21,812)	0	0	0	0	0
	Total Somerset Council Earmarked Reserves			157,649	(42,817)	114,831	(19,597)	95,234	(50,532)	44,702

Number Reference	Somerset Council Reserve	Description of Reserve	Service Director	Balance as at 31/03/2023 '£000	Adjustments (Transfers & MTFP) '£000	Balance at 01/04/2023 '£000	Forecast net transfers to/from earmarked reserves '£000	Forecast balance as at 31/03/2024 '£000	Forecast net transfers to/from earmarked reserves '£000	Forecast balance as at 31/03/2025 '£000
	Reserves Held on Behalf of Others									
67	S256 Funding	CCG funding for transforming care.	Service Director - Adult Social Care Commissioning	97,739	0	97,739	(97,739)	0	0	0
68	Connecting Devon and Somerset	Funds held on behalf of Connecting Devon and Somerset.	Service Director - Economy, Employment & Planning	539	(135)	403	0	403	(403)	0
69	HotSW Local Enterprise Partnership	Funds held on behalf of the Local Enterprise Partnership.	Service Director - Economy, Employment & Planning	4,135	0	4,135	286	4,421	0	4,421
70	LEP HotSW Governance	Funds held on behalf of partners for the LEP governance.	Service Director - Economy, Employment & Planning	58	0	58	0	58	0	58
71	SAPHTO Funds	Primary school headteacher association funds held on behalf of member schools.	Service Director - Education, Partnerships & Skills	30	0	30	(30)	0	0	0
72	Somerset and South West Mutual Scheme	Funds held on behalf of Somerset and South West Mutual Scheme.	Service Director - Finance & Procurement (Deputy S151)	181	0	181	(181)	0	0	0
73	Somerset Rivers Authority	Funds held on behalf of Somerset Rivers Authority.	Service Director - Climate, Environment & Sustainability	5,084	0	5,084	(300)	4,784	(4,784)	(0)
74	Lottery Fund	Ring fenced pot of money related to the Somerset West Lottery Fund and Shape Mendip Lottery.	Service Director - Partnerships & Localities	8	0	8	2	11	0	11
75	Avon and Soms Homelessness Funding Grant	Partnership Funding.	Service Director - Housing	8	0	8	(8)	0	0	0
76	School's Carry Forward	Funds held on behalf of Schools.	Service Director - Education, Partnerships & Skills	22,594	0	22,594	0	22,594	0	22,594
77	YWPC Crematorium Reserve	Funds held on behalf of Yeovil Without Parish Council.	Service Director - Regulatory & Operations	400	0	400	(400)	0	0	0
78	YWPC Replace Cremator Reserve	Funds held on behalf of Yeovil Without Parish Council.	Service Director - Regulatory & Operations	62	0	62	(62)	0	0	0
79	Cemetery Reserve	Funds held on behalf of others for Yeovil Town Council and Yeovil Without Parish Council.	Service Director - Regulatory & Operations	231	0	231	0	231	0	231
80	Dorcas House Funds	Funds held on behalf Dorcas House Trust.	Service Director - Regulatory & Operations	464	0	464	0	464	0	464
81	Chard Regeneration Reserve	Held on behalf of Chard Regeneration Programme Board.	Service Director - Economy, Employment & Planning	35	0	35	0	35	0	35
	Total Funds Held on Behalf of Others			131,568	(135)	131,433	(98,433)	33,000	(5,187)	27,813
	Total All Earmarked Reserves			289,217	(42,953)	246,264	(118,030)	128,235	(55,720)	72,515

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Number Reference	Somerset Council Reserve	Description of Reserve	Service Director	Forecast balance as at 31/03/2024 '£000	Forecast net transfers to/from earmarked reserves '£000	Forecast balance as at 31/03/2025 '£000
6	Elections	Funds set aside to pay for future local elections	Service Director - Governance, Democratic Services & Legal	635	218	853
9	Apprentices	Funding held to cover apprenticeship posts	Service Director - Workforce	203	(76)	127
10	Ash Die Back	To fund cost of ash dieback response	Service Director - Infrastructure & Transport	100	(100)	0
12	Homes & Horizons (previously Building Local Capacity)	Strategic Partnership with Homes to Inspire to set up children's residential homes. This reserve is for the mobilisation and set up costs for Homes and Horizons residential homes, high needs fostering and theraputic education.	Service Director - Children's Commissioning	444	(444)	0
15	Community Development Fund	Funding held for development projects.	Service Director - Economy, Employment & Planning	463	(463)	0
17	Economic Development Fund	Funds set aside to deliver specific economic growth (i.e. enterprise zones)	Service Director - Economy, Employment & Planning	599	(300)	299
18	Economic Recovery	Funds set aside for economic recovery programmes	Service Director - Economy, Employment & Planning	1,605	(50)	1,555
19	ED Fund	Business Rate Retention - for Somerset economic projects	Service Director - Economy, Employment & Planning	814	(200)	614
21	Grant Funding	Various government grants ringfenced for a specific purpose (with conditions).	Various	8,342	(5,057)	3,285
22	Homes for Ukraine	Agreed funding for supporting Ukrainian Refugees into the County.	Service Director - Housing	151	(151)	0
23	Investment Property Risk Reserve	Mitigates budget risk for investment net income volatility.	Service Director - Strategic Asset Management	5,087	(3,672)	1,415

Number Reference	Somerset Council Reserve	Description of Reserve	Service Director	Forecast balance as at 31/03/2024 '£000	Forecast net transfers to/from earmarked reserves '£000	Forecast balance as at 31/03/2025 '£000
25	MTFP Support	Funds to support any shortfalls in the budget.	Executive Director - Resources & Corporate Services (S151) Service Director - Finance & Procurement (Deputy S151)	36,866	(36,866)	0
26	Budget Delivery	To cover the financial impact that it takes to deliver some of the 2024/25 budget savings.	Executive Director - Resources & Corporate Services (S151) Service Director - Finance & Procurement (Deputy S151)	2,526	(2,526)	0
28	Hinkley Project	Funding for the Hinkley Point C project.	Service Director - Economy, Employment & Planning	23	(23)	0
32	Climate Emergency	Pre-committed climate change costs.	Service Director - Climate, Environment & Sustainability	118	(61)	56
35	Housing Enabling Fund	Committed to the affordable housing development partnership.	Service Director - Housing	53	(53)	0
36	Local Plan Development and Inspection Costs	Fund for preparation of statutory plans for site allocation.	Service Director - Economy, Employment & Planning	126	(126)	0
37	Steam Coast Trail Project	Funds for use on Steam Coast Trail Project.	Service Director - Economy, Employment & Planning	134	(67)	67
43	Saxonvale	Covers any revenue costs of the site/scheme.	Service Director - Strategic Asset Management	150	(150)	0
44	Workforce Resilience	To cover lone working devices.	Service Director - Workforce	51	(51)	0
47	Planning Performance Agreements	Hinkley Point C S106 monies.	Service Director - Economy, Employment & Planning	181	(60)	121

Number Reference	Somerset Council Reserve	Description of Reserve	Service Director	Forecast balance as at 31/03/2024 '£000	Forecast net transfers to/from earmarked reserves '£000	Forecast balance as at 31/03/2025 '£000
54	Social Care Transformation	Funds set aside for transformation projects for Adults and Childrens Services.	Service Director - Adult Social Care Operations Service Director - Commissioning & Learning	50	(50)	0
57	Somerset Works (non ESF)	To fund support to young people not in employment or training.	Service Director - Inclusion	201	(201)	0
61	Somerset Woods	Donations from the public for tree planting.	Service Director - Climate, Environment & Sustainability	2	(2)	0
62	Minehead Shelters	Contributions towards the repair of Minehead Shelters.	Service Director - Strategic Asset Management	18	(2)	16
	Total Somerset Council Earmarked Reserves			58,941	(50,532)	8,408

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Dedicated Schools Grant 2024/25

1. Introduction

1.1. School Funding is received through the Dedicated Schools Grant (DSG), and is split into four blocks, each with its own formula to calculate the funding to be distributed to each local Authority, and with specific regulations on what each block of funding can be spent on:

- Schools Block (SB)– funds primary and secondary schools through the school’s funding formula, premises funding and growth funding for new and growing schools or bulge classes.
- Central Schools Services Block (CSSB) – funds services provided by the local authority centrally for all schools and academies, such as the admissions service.
- Early Years Block (EYB)– funds the free entitlement for 2, 3, & 4-year olds in all early year’s settings in the private, voluntary and independent (PVI) sector as well as nursery classes in mainstream primary schools.
- High Needs Block (HNB) – funds places in special schools, resource units and alternative provision, and top up funding for pupils with Education, Health & Care Plans (EHCPs) in all settings including non-maintained special schools, independent special schools, and further education colleges.

1.2. The allocations for the 2023-24 financial year were published by the Department for Education (DfE) on 19th December 2023. Adjustments to the allocations are made throughout the year for academy schools recoupment, high needs provisions and for early year’s provisions. The CSSB is generally fixed for the year.

1.3. The DSG is a ring-fenced grant and must be deployed in accordance with the conditions of grant and the latest school and Early Years Finance (England) Regulations. Detailed guidance for each block is contained within various operational documents issued by the Education Funding & Skills Agency (EFSA).

1.4. Schools Forum meets a minimum of four times a year and the papers for the meetings can be found on the following link:

<https://www.somerset.gov.uk/children-families-and-education/school-life/somerset-schools-forum/>

Table 1 sets out the detailed DSG allocations for 2024/25 as published by the DfE on 19th December 2023.

DSG Block	£ millions			Increase/ (Decrease)	
	22/23	23/24	24/25	£	%
Schools Block For distribution through the formula for mainstream schools and academies and for growth in schools	351.3	372.1	391.1	19.0	5.1%
Central School Services Block For local authority core functions, admissions, and historic commitments	5.6	5.0	4.6	-0.4	-8.0%
High Needs Block Funding for pupils with special educational needs in mainstream, special and independent special schools, for pupils in alternative provision and local authority or commissioned services for high needs pupils	75.4	83.7	87.4	3.7	4.4%
Early Years Block Funding for the early years entitlements includes: <ul style="list-style-type: none"> • funding for the universal 15 hours entitlement for all 3 and 4-year-olds • funding for the additional 15 hours for 3 and 4-year-old children of eligible working parents • funding for the 15 hours entitlement for disadvantaged 2-year-olds • funding for the 15 hours entitlement for 2-year-old children of eligible working parents from April 2024 • funding for the 15 hours entitlement for 9-month-old up to 2-year-old children of eligible working parents from Sept 2024 	29.4	31.1	50.2	19.1-	61.4%
Total	461.7	491.9	533.3	41.4	8.4%

2. Schools Block

- 2.1. The vast majority of the schools block allocation is pupil driven with different funding rates for primary pupils and secondary pupils. The funding rates are known as Primary Units of Funding (PUFs) and Secondary Units of Funding (SUFs). These funding rates are then multiplied by the pupil numbers on the October 2023 census which show the number of children in mainstream schools and academies.
- 2.2. An allocation for growth (growing schools and bulge classes) and premises (national non-domestic rates [NNDR]) and schools funded through the Private Finance Initiative) is also added to the PUF and SUF allocations to complete the funding for the schools' block.
- 2.3. The approach to setting the schools funding formula for 2024-2025 will be to mirror the full national funding formula rates.
- 2.4. The School Block funding includes £3.4m NNDR funds which will be retained by the ESFA due to centralising the payments of NNDR.
- 2.5. The funding provided in the Dedicated School Grant Schools Block is not sufficient to meet the Governments published National Funding Formula (NFF) values as updated in October 2023. This is due to increases in deprivation factors in Somerset between October 2022 and October 2023.
- 2.6. Several options have been considered to close the gap of £1.67m. Three options were set out to the Schools Forum meeting on 17th January. A further emergency meeting was then scheduled for Friday 19th January to consider further options and vote on these. The final decision on the formulae is the responsibility of the Local Authority, however Schools Forum must be consulted.
- 2.7. Following these meetings, Schools Forum voted that their preference was to maintain a 0.5% Minimum Funding Guarantee for schools, and to close the shortfall by reducing the AWPU (basic entitlement). The Authority Proforma Tool (APT) will be submitted on this basis.

3. Central Schools Services Block

3.1. The Central Schools Services Block is split into two elements, historical commitments and ongoing commitments. From 2020/21 the ESFA included a mandatory reduction of 20% per annum in the historical elements of this block. Funding for ongoing commitments is calculated using 2 factors, a basic per pupil factor, through which LAs receive the majority of funding, and a deprivation per-pupil factor.

4. Early Years Block

4.1. The Early Years Block provides funding for all early years entitlements including:

- funding for the universal 15 hours entitlement for all 3 and 4-year-olds
- funding for the additional 15 hours for 3 and 4-year-old children of eligible working parents
- funding for the 15 hours entitlement for disadvantaged 2-year-olds
- funding for the 15 hours entitlement for 2-year-old children of eligible working parents from April 2024
- funding for the 15 hours entitlement for 9-month-old up to 2-year-old children of eligible working parents from Sept 2024

4.2. Early Years Funding regulations state that at least 95% of available early years funding must be passported to early years providers. Therefore, a maximum of 5% of can be utilised by the authority for fund central function that support early year provision.

4.3. All providers are consulted annually on the distribution of the early years funding formula and the central spend is agreed at Schools Forum.

5. High Needs Block

5.1. The authority receives the funding for the High Needs Block based on a national funding formula set by the DfE.

5.2. The allocation for the high needs block has increased by £3.7m from £83.7m in 2023/24 to £87.4m in 2024/5. There will be a total net adjustment to the import/export element in July to reflect actual movement. This is a net

adjustment to reflect the difference between high needs pupils and students living in one local authority and attending a school or college in another.

- 5.3. The authority funds special schools, alternative provisions and resource provision on two elements, a core place funding element which is a fixed rate and a top up element which is based on the individual pupils specific needs.

6. Deficit Management Plan

- 6.1. Local authorities are facing increased demand for services for pupils with Special Educational Needs and Disabilities (SEND). By December 2023, Somerset had issued 5,447 Education Health and Care Plans for pupils with SEND, which is an increase of more than 160% in the last five years. As well as the significant increase in numbers, there has been an increase in the complexity of pupils' needs.
- 6.2. In 2020, the Government introduced a statutory override for a period of three years (up to end of March 2023) that allowed local authorities' DSG deficits to be separated from the wider local authority accounts. Subsequently, the Government agreed to extend the DSG statutory override by a further three years so that the override will now expire on 31 March 2026. In the case of Somerset, the DSG is forecast to overspend by £17.4m in 2023/24 and reach a cumulative deficit of approximately £96m by 31 March 2026.
- 6.3. The actual, current forecast and projected DSG deficits are shown in the table below:

	31 March 2023 Actual £m	31 March 2024 Forecast £m	31 March 2025 Projected £m	31 March 2026 Projected £m
Dedicated Schools Grant deficit	20.7	38.1	61.5	96.2

- 6.4. As one of the conditions of the Dedicated Schools Grant, local authorities with DSG deficits are required to prepare and implement a DSG Management Plan. The Department for Education (DfE) recognises that in some cases it may take several years to recover any DSG deficits.

- 6.5. The local authority is currently in the process of refreshing its DSG Management Plan and agreeing the plan with the Department for Education. The refreshed plan will be shared with Schools Forum and members when complete.



Department for Levelling Up,
Housing & Communities

Duncan Sharkey
Chief Executive
Somerset Council
The Council Offices
Cannards Grave Road
Shepton Mallet
BA4 5BT

Suzanne Clarke
*Deputy Director, Local Government
Finance Stewardship*

***Department for Levelling Up,
Housing and Communities***

Fry Building
2 Marsham Street
London SW1P 4DF

Email: Suzanne.Clarke@levellingup.gov.uk

www.gov.uk/dluhc

24 January 2024

Dear Duncan,

I wish to confirm receipt of Somerset Council's request for Exceptional Financial Support (EFS), including the request for additional council tax flexibilities.

You have set out your assessment of your position to the Department and reported financial pressures, particularly in relation to adults and children's social care. I can assure you that government will continue to work closely with Council officers to find a way forward, i.e. by supporting the Council to set a balanced budget for 2024/25.

The Department has worked closely with a number of councils through this process since it was established in 2020. In each of these cases, councils have been able to set and maintain balanced budgets, including where support has been agreed in principle only. Full details of all support agreed are published here: [Exceptional financial support for local authorities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/exceptional-financial-support-for-local-authorities)

I understand that Department officials have spoken with Council officers in detail about the EFS framework and the stages involved in this process. A summary of the process is included in the annex. Requests are assessed against the principles of the Exceptional Financial Support framework, including value for money; longer-term financial sustainability; addressing underlying drivers of risk or fragility; avoiding moral hazard; being legally robust; and meeting eligibility requirements.

Ministers will consider the Council's request very carefully against the EFS principles, as well as various other factors including the Council's overall position, the interest of Somerset Council's residents, and the need to provide sufficient stability to the Council to make sure that service delivery, especially for the most vulnerable citizens, is not disrupted. To be clear,


Ministers will decide the appropriate amount, form and structure (if any) of any support for the Council.

As set out in the [local government finance policy statement 2024 to 2025](#), where councils need additional support from government, they should take every possible step to minimise the need for that support to be funded by national taxpayers. As part of that process, the government will consider representations from councils, including on council tax provision.

In conjunction with working with the Council through the EFS process, the Department continues to engage with other government departments, where appropriate, on other potential support options for councils including invest to save projects, focussing on transformation and efficiency.

I appreciate your continued co-operation with the Department, as you continue to work through the Council's financial issues and the EFS process set out above.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S J Clarke'.

Suzanne Clarke

Deputy Director, Local Government Finance

Annex: Summary of exceptional financial support (EFS) process

The summary below sets out the typical process for Government to assess requests for exceptional financial support (EFS).

1. **Formal request:** A local authority approaches the Department seeking EFS, typically via a capitalisation direction. The local authority provides the amount of capitalisation sought and the rationale behind why this is required.
2. **Assessment:** The request is considered by the Department and includes an assessment of whether the authority has taken every possible step at local level to minimise the need for support to be funded by national taxpayers.
3. **Agreement of 'in principle' support:** Subject to Ministerial decision, Ministers will write to the authority setting out that they are 'minded to' issue a capitalisation direction subject to certain conditions. These conditions typically include the authority being required to undergo an external assurance review.
4. **Confirmation and legal direction:** Confirmation of legal directions is required to enable an authority and the external auditor to close its financial accounts for that year. There is not a set time of year when directions must be formalised. Previously, subject to demonstration that the authority has progressed against the conditions set out in the 'in-principle' offer of support, directions have been formalised at the end, or just after the end of the financial year to which the capitalisation applies. When formal directions are issued, conditions are attached.

Previous standardised conditions attached to formal capitalisation directions issued through the EFS framework

1. The Council may only capitalise expenditure when it is incurred.
2. Where the Council's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction:
 - a. Any further borrowing from the date of the capitalisation letter up to and including, but not exceeding, the increase in the financing requirement must be obtained from the PWLB (Public Works Loan Board) and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to. This requirement does not apply to borrowing in relation to your hour Housing Revenue Account. Where any borrowing to which these conditions initially apply is refinanced, the conditions must continue to apply to the resulting borrowing.
 - b. The Council shall charge Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years, in accordance with the Department's Statutory Guidance on Minimum Revenue Provision issued by the Secretary of State under section 2(A) of the Local Government Act 2003.

Publication

Details of in-principle support and formal capitalisation directions are published on gov.uk:
[Exceptional financial support for local authorities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/collections/exceptional-financial-support-for-local-authorities)

An example of a published in-principle agreement:
[Thurrock Council: Exceptional Financial Support request 2023-24 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000000/thurrock-council-exceptional-financial-support-request-2023-24.pdf)

An example of a published formal capitalisation direction:
[Eastbourne capitalisation direction 2021-22 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000000/eastbourne-capitalisation-direction-2021-22.pdf)

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Appendix 14 - Summary of Scrutiny Committee Corporate & Resources review and recommendations regarding the 2024/25 Budget proposals to the Executive

1. Summary

- 1.1.** The Scrutiny Committee for Corporate & Resources has received 2023/24 budget monitoring reports, together with an update on the budget proposals and the approach to the development of the Medium Term Financial Strategy at its meetings on 6 July 2023, 7 September 2023, 9 November 2023, 5 December 2023 and 4 January 2024.
- 1.2.** It was very clear to Scrutiny members that under the current financing model for local government the Council is not financially sustainable and that urgent reform of the funding mechanism for local government is required. Significant and on-going financial support from Government will be required due to the cost of delivering services increasing significantly faster than the income the council receives particularly in relation to social care. Scrutiny members understood that without Government exceptional financial support there is a risk that the Section 151 Officer (Chief Finance Officer) may have no choice other than to issue a Section 114 report to the Council during 2024/25.
- 1.3.** Accomplished successfully, scrutiny should be valued as a key part of the financial planning and delivery process. It aims to be a positive, supportive experience for the Executive and a constructive, value-adding service to the Council and community. Transparent and rigorous scrutiny also provides an important level of assurance to local taxpayers and community.

The approach at the workshop and at the Committee meeting was focused on where scrutiny of the budget proposals could add the most value:

- (a) reviewing how resources are allocated,
- (b) testing out whether the council is directing its resources effectively to meet its priorities and
- (c) providing challenge to the Executive's management of the Council's finances and a different perspective on challenges.

1.4. Scrutiny Workshop on 31 January 2024

Following the Executive meeting on 15 January, a MTFP scrutiny workshop was held on 31 January 2024 which enabled members of all five Scrutiny Committees the opportunity to scrutinise the 2024/25 General Fund Revenue Budget, 2024/25 HRA Budget and 2024/25 Capital Budget proposals. The workshop scrutinised how the Council plans to bridge the estimated budget gap through use of reserves, significant savings proposals, and requests for DLUHC for a £20m Capitalisation Direction and the option of allowing an increase in Council Tax by an additional 5% (9.99% in total). All members were invited to the workshop, which was attended by members of the Executive and supported by the Council's Executive and Corporate Leadership Teams.

On 2 February 2024, Scrutiny – Corporate and Resources scrutinised the budget proposals, with members the other four Scrutiny Committees in attendance to scrutinise, comment and make any recommendations to the Executive meeting on 7 February.

1.5. Several key lines of Enquiry were raised at the MTFP workshop on the 31 January 2024 and at the Scrutiny Committee meeting on 2 February. A summary of the key lines of enquiry at the workshop is set out in 1.3 – 1.10 below. A more detailed summary of the discussion and debate that took place on 2 February is set out in section 2.

1.6. Overall Revenue Budget:

1. Whether the council will be able to set a balanced budget without assurance from DLUHC of the capitalisation direction and proposed Council Tax increase.
2. The business case for Developing the approach to Transformation has not had appropriate scrutiny.
3. Whether the General Reserves projected for 25/26 will be sufficient to avoid a Section 114 and the risk level of General Reserve Position

1.7. Communities Services:

1. Concerns about the impact of cessation or devolution of the CCTV systems.
2. Where assets in Yeovil are being devolved (CMS022, CMS038, CMS020), what is the basis of the value of these assets and its impact on capital receipts.
3. Concerns about pressures on Parish/Town Councils from taking on additional areas to work and whether additional support is needed for Clerks and Parish/Town Councillors.

1.8. Adults and Health Services:

1. Concerns about potential impact on service users for maximising fees and charges (ADS001).
2. Concerns about the potential impact of the proposed savings proposals on service users regarding mental health and substance misuse (ADS004).
3. Concerns about the potential impact of the proposed savings proposals on service users regarding learning disability employment service (ADS005).
4. Concerns about potential impact on service users for support to people to live independent lives (ADS008).
5. Whether there are alternative proposals involving voluntary organisation and community assistance that would offset savings proposals and utilise other funding sources.

1.9. Children, Families, and Education:

1. Detail requested on the Deficit Action Plan relating to the High Needs Block.
2. Concerns about the potential impact of the proposed savings proposals on service users regarding SEND team reduction in vacant posts (CFE004).
3. Concerns about the deliverability of EHCP plan proposal (CFE007).
4. Concerns about the deliverability of savings relating to Homes and Horizons and children in residential care (CFE013, CFE014).
5. Concerns about the increase in pressure on SEND and Home to School Transport (Appendix 7, Pressures, CFE006 & CFE007).

1.10. Climate and Place Services:

1. Concerns regarding impact of closure of 5 Household Recycling sites on local communities (CAP010).
2. Concerns about the deliverability and impacts on communities of reduction in highways maintenance (CAP032).
3. Concerns over the ability to bid for external funding (CAP027).
4. Concerns over the safety of reduction in school crossing patrols (CAP007).
5. Concerns about the currently under resourced Flood Management Team and whether additional staffing is needed.

1.11. Resources and Corporate Services:

1. Clarification sought over why the Investment Yield (Appendix 7, Pressures, RCS001) is a pressure and if any mitigations are in place.
2. Clarification sought over why Dividend from Battery Storage is a pressure and if any mitigations are in place (Appendix 7, Pressures, RCS002).

3. Clarification sought over why Audit Fees are a pressure and if any mitigations are in place (Appendix 7, Pressures, RCS004).

1.12. Strategy, Workforce, and Localities:

1. Significant concerns raised over the reduction from 5 to 3 Scrutiny Committees at a time when greater scrutiny is needed (SWL010).
2. Request that scrutiny and planning committees remain at 13 members to enable greater member involvement (SWL007).
3. Concerns raised about the potential impact on democracy of reduction of some SRAs (CWL012) and how this links with the recommendations from the Independent Remuneration Panel.
4. Clarification sought on why savings proposals do not include savings relating to LCNs and their running costs.

1.13. HRA 2024/25 budget proposals:

- members sought clarity on the pressure caused by staff changes.

1.14. Capital 2024/25 budget proposals

- Clarification sought on funding sources and expenditure on Decarbonisation of Various Properties.

2. Scrutiny Committee for Corporate & Resources meeting 2 February 2024

2.1 Following the workshop, the budget was scrutinised in detail at the Scrutiny – Corporate & Resources meeting on 2 February 2024. The Committee agreed several recommendations to make to the Executive to consider at its meeting on 7 February, Those recommendations are set out in section 3 below.

2.2 This paragraph contains a summary of the scrutiny of the revenue budget 2024/25 proposals for each of the service areas at the Corporate and Resources Scrutiny Committee – 2nd February 2024:

- Scrutiny members questioned the underlying assumptions of the budget: the level of confidence in them, the dependence on approval from DLUHC on the Council Tax increase and Capitalisation direction which is unlikely to be received prior to setting the budget, the process for increasing Council Tax if a Section 114 is issued, whether there will be any savings left to make in 2025/26 and beyond, how integral the transformation package is to the budget, the level of variance expected in the budget, the adequacy of general and earmarked reserves in both 2024/25 and beyond, and at what point the level of pressures make a balanced budget unachievable. Additionally, concerns were raised around the Schools budget, and it was clarified that this was a national issue and there is a Deficit Management Plan in progress.

- In Communities Service budget scrutiny members questioned the pressures on the service, the progression of devolution of services to Town and Parish councils and whether there was the capacity both within Somerset Council and the Town and Parish Councils for this work, the ongoing funding for CCTV and the level of service provided and other sources of funding such as the police contribution of £10,000. They raised the issue of the timescale for the devolution projects in Yeovil (Octagon Theatre, Westlands, Yeovil Rec, and Yeovil Country Park), and how that would be represented in the budget as a saving, the reduction in grant for the South West Heritage Trust, and highlighted the importance of local knowledge. The issue of health and safety and provision of temporary toilets (CMS016 and CMS017) for Bridgwater Carnival was raised, and members were reassured that all safety barriers would be in place, but aside from that tourism and culture is not a statutory requirement. More detail was requested on the devolution or possible closure of public toilets and the progression of the work around park closure at night, as well as caps on fees and charges set by central governments and any other statutory duties.
- For Adult Services, scrutiny members raised queries regarding the work of micro providers and the work going on in communities to work together, and updates were provided. Concerns were raised about the specific cuts to mental health services, whether the proposed reductions would lead to more costs in the system overall later on, and what the alternative is to the work provided by Discovery, which is not statutory. Members were informed of the Equalities Impact Assessments available for each proposal. The My Life, My Future programme to create savings was also raised as the savings outlined in the budget were lower than expecting. The large pressure on Adult Services of Care Provider Fees was questioned and whether benchmarking with other councils has been completed, and the conclusion was that historically Somerset has paid lower fees than other councils and that was the reason for the pressure. Members examined funding sources such as the Social Care Grant and the Local Assistance Scheme and how they were expected to meet costs in the future. The need to consider which services are funded and what support for communities is being cut, such as grants for CAB. Some of the non-statutory services that were previously in the savings list have been removed, such as support for Village Agents, as their importance was highlighted.
- In Children's, Families, and Education scrutiny members raised concerns around the capacity of the SEND team and the increasing demand for EHCPs which had previously been handled by an external contractor, and the

combined impact of cuts to SEND and Educational Psychologist posts. The need for alternative funding for some items, such as virtual schooling and educating children in care was raised, looking at government funding instead of using the revenue grant for this work. Members questioned the confidence in foster care recruitment and the overall benefit of this, and it was explained that the most difficult and expensive cases are teenagers but there is improvement in recruiting foster carers for this group which will result in savings. Concern about the OFSTED inspection for Children's Services resulting in a "good" rating and whether the savings proposals would put that at risk was also highlighted.

- In the area of Climate and Place, scrutiny members raised concerns arising from the large amount of public engagement on the issue of recycling centres, and whether there would be other environmental impacts of reducing them as people had to travel further to recycle. However, this saving proposal is on hold as contract negotiations with the provider are carried out, which may lead to alternative solutions. These negotiations are currently commercially sensitive. It was also pointed out that after a Section 114, more than 5 recycling centres would likely close, and with only 5 closures Somerset would still be above average in the South West for recycling centres per capita. Questions were raised around the budget pressures: legislation to prevent charging for removal of certain materials, and contract inflation. Members highlighted the importance of the officers working on transport policy as their role includes applying for funding bids, and proposed that this be withdrawn as it may be a false economy, reducing funding in future for transport and infrastructure. Clarification was sought on the changes to the highways and maintenance budget, particularly as some of these savings are only one year, whether it would create further costs in the long-term, and the complexity of devolving some of this work to town and parish councils. There were particular concerns raised around the safety of cutting school crossing guards and the lack of engagement from schools on this issue resulting in an unclear picture of the results of this saving. Members requested further detail on the wider implications of fee increases in planning services. Members were concerned about pressures on the flood team and the bridges team, the quality of bus services reducing use, the levels of illegal signposting alongside roads, the implications of permits for recycling sites on the wider environment, and digital exclusion issues around garden waste communication.
- Members had no specific recommendations on the Resources and Corporate Services budget proposals.

- On the Strategy, Workforce, and Localities budget proposals, scrutiny members were particularly concerned about the reduction in Scrutiny Committees, both in number of members and number of committees. The importance of Scrutiny, particularly in the current circumstances, was highlighted, both for the overall function of the council and for the members who participate in it. Local Community Networks (LCNs) were raised as an area to make possible savings, but the role of LCNs in developing the unitary council and important work of Taunton LCN was highlighted, and LCNs don't have a specifically identifiable budget to cut from beyond the amount given to develop them. The proposed reduction of some Members' Special Responsibility Allowances was debated and its impact on democracy, with a reminder that an alternative could include councillors choosing to decline receipt of these allowances. Concerns were also raised about the removal of the budget for the pathway to employment scheme, as it supports some of the most vulnerable.
- For the HRA budget 2024/25 proposals, members sought clarity on the pressure caused by staff changes. This was partly due to inflationary costs and corporate overhead and there is a proposed restructure.
- For the Capital budget 2024/25 proposals, members questioned funding around Section 106 and Community Infrastructure Levies and how this is being monitored and collected. Variances across the county and exemptions were detailed. Questions around funding for Rights of Way were raised, as well as total spend for Wellington Sport Centre decarbonisation and where the funding for this had come from.

3. Recommendations to the Executive

The Scrutiny Committee for Corporate and Resources on 2 February agreed to make the following recommendations to the Executive :

Overall Budget:

- For Scrutiny – Corporate and Resources to receive an update on the outcome of the capitalisation direction and council tax increase at meeting on 7 March 2024 and if unsuccessful what mitigations are proposed.
- For Scrutiny – Corporate and Resources to scrutinise the Outline Business Case for Developing the approach to Transformation on 7 March 2024
- For Scrutiny – Corporate and Resources to receive regular updates on the level of general and earmarked reserves in 2024/25 and projections

for 2025/26 as part of monthly budget monitoring reports throughout 2024/25

Communities services:

- For Scrutiny – Communities receives quarterly update reports regarding the progression and delivery of devolution of various communities services and assets to Parish and Town Councils
- For Scrutiny – Communities to receive quarterly update reports regarding the progression and delivery of income generation proposals with relevant Parish and Town councils to deliver the target value to avoid cessation of the CCTV service
- For Scrutiny – Communities to receive quarterly updates on the deliver of the devolution of specific assets and services to Yeovil Town Council as alternative solutions to the savings proposals CMS020, CMS022, CMS038.
- For Scrutiny – Communities to receive a quarterly update on the capital bid to DCMS and the potential capital investment in the Octagon Theatre.

Adults and Health Services:

- For Scrutiny Committee – Adults and Health to receive quarterly updates on the delivery of ADS001, ADS004, ADS005, ADS006, ADS007, and ADS011 and scrutinise any adverse impacts on services users, partners, and providers.

Children, Families, and Education:

- For Scrutiny Committee – Children and Families to receive quarterly reports regarding the Deficit Action Plan for High Needs Block and Dedicated Schools Grant and the continuation of the statutory override
- For Scrutiny Committee – Children and Families to receive quarterly updates on the delivery of savings proposals CFE003, CFE004, CFE005, CFE009, CFE011, CFE012, CFE013, and CFE014 and scrutinise any adverse impacts on young people, partners, and providers.
- For assurance from Executive that the proposed savings proposals will not adversely affect outcomes for vulnerable children and the Ofsted rating that the Council has invested significant staff and financial resources to achieve.

Climate & Place Services:

- Due to significant member and public concerns about potential closures of Household Waste Recycling Centres (CAP010), Scrutiny Committee – Climate & Place to receive quarterly updates to scrutinise the potential

options to deliver this savings proposal and any adverse impacts on local communities

- For Scrutiny Committee – Climate and Place to receive quarterly updates on the delivery of savings proposals CAP001, CAP002, CAP007, CAP012, CAP036 and scrutinise any adverse impacts on local communities and partners.
- Recommend that the Executive withdraws the proposed saving of the Transport Policy Post (CAP027) in order to ensure the Council can continue to adequately bid for external funding for its infrastructure.
- Recommend that the Executive withdraws the proposed saving CAP032 in order to continue existing levels of highways maintenance.
- Proposal for savings to be funded instead from reductions to Local Community Network support costs.

Strategy, Workforce and Localities:

- Recommend that the Executive withdraws the proposed savings for the Pathway to Employment Scheme (SWL001)
- Recommend that the Executive withdraws the proposed saving SWL010 in order to continue existing 5 Scrutiny Committees and support the increased frequencies of their meetings.
- Recommend that the Executive withdraws the proposed saving to combine the Audit and the Constitution & Governance committee (SWL006) whilst the council is in a financial emergency and completing further reviewing work on the constitution.
- Recommend that the size of each of the Planning Committees and Scrutiny Committees remains at 13 members (SWL007)
- Recommends that saving proposal to reduce some SRAs (SWL012) be withdrawn as it is not in line with the Independent Remuneration panel recommendations.
- Recommend that the executive reduce the council's budget for supporting Local Community Networks and instead share the costs of supporting these meetings with Parish and Town Councils.

Reasons for recommendations

Scrutiny provide constructive challenge and holds the Executive to account as well as helping support the Council to set a balanced and sustainable budget for 2024/25.

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Appendix 15 - Somerset Council Summary of Cumulative Impacts and Risks of the 2024/25 Medium Term Financial Plan

All budgetary proposals carry associated impacts – whether it is an impact on service delivery, equalities, sustainability, crime and disorder, health and wellbeing, staff, or a combination of any or all of these. The level of savings required for 2024/25 and coming years of the MTFP are significant and require robust due regard during their creation, decision making and implementation to their potential impacts.

Somerset Council continues to find it challenging to balance its budget within available resources whilst still meeting its core statutory duties such as protecting children and supporting elderly and vulnerable people. The outlook for the next few years remains highly challenging.

Creating an understanding of how our communities and staff are being affected by the Council’s budget reductions is difficult and complex. People are different in terms of their needs and expectations; people's interaction with public services and dependence upon public services vary. Life changing events such as the birth of a child, death of a partner or deterioration in health can alter, sometimes very quickly, a person's dependence on services. Living in rural communities may be a dream for some but for some it can also present challenges.

Consideration of the continuing need to reduce inequalities as far as possible must be integral to the budget reduction process. There must be an appropriate balance struck between, on the one hand being aware of the impact and risks, seeking to avoid or mitigate adverse impacts and, on the other, the benefit and necessity to making the saving to achieve a balanced budget. It is therefore inevitable that it may not be possible to mitigate all impacts.

In order for the Council to fulfil its legal requirements under the following pieces of legislation Members are asked to have due regards to this cumulative impact report as part of their decision-making process:

Equality	<p>Within the Equality Act 2010 the Public Sector Equality Duty requires all Public Bodies to have due regard to the following in everything we do. A public authority must, in the exercise of its functions, have due regard to the need to:</p> <ul style="list-style-type: none"> a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
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Health and Safety

The Health and Safety at Work etc Act 1974 (HASAWA) is the primary piece of legislation covering occupational health and safety in Great Britain.

Under Section 2 of The Health and Safety at Work etc Act 1974 (HASAWA), employers, including local authorities have specific duties toward their employees to provide so far as is 'reasonably practicable':

2(2)(a) Safe plant and systems of work.

2(2)(b) Safe use, handling, transport and storage of articles and substances.

2(2)(c) Information, instruction, training, and supervision.

2(2)(d) A safe workplace and safe access to it and egress from it.

2(2)(e) A safe working environment with adequate welfare facilities.

Section 3 of HASAWA places a duty on employers to ensure, so far as is reasonably practicable, that non-employees are not exposed to risks to their health and safety:

- The duty holder is the employer.
- The employer owes a duty to everyone else who is not an employee (service users, visitors, contractors, the public, etc).

Section 4 of HASAWA imposes duties on those who have some degree of control over non-domestic premises that they are making available for others (non-employees) to use as workplaces or for work activities. In this scenario, Somerset Council would be described as a controller of premises. As a controller of premises, the council must ensure, so far as is reasonably practicable, that:

- The premises are safe.
- The means of access and egress are safe.
- Any plant or substances provided by them for use in that premises are safe.

Section 37 of HASAWA concerns itself with personal liability of directors and senior managers. Section 37 states that directors and senior managers of an organisation, as well as the organisation itself, may be personally liable for breaches of the law. Directors and senior managers can be prosecuted for offences committed by the organisation if it can be shown that they consented, connived, or were negligent in their duties in allowing the offence to be committed.

HASAWA is an "Enabling Act", as it enables the Secretary of State to make delegated legislation and therefore much of the health and safety legislation in Great Britain comes in the form of

	<p>regulations made under HASAWA. There are many Regulations under HASAWA which apply to the council, the council has a comprehensive suite of health and safety policies outlining responsibilities and arrangements for managing health and safety in the Council.</p>
Community Safety	<p>Section 17 of the Crime and Disorder Act 1998, as amended by the Police and Justice Act 2006, requires responsible authorities to consider crime and disorder, including anti-social behaviour and other behaviour adversely affecting the local environment; and the misuse of drugs, alcohol and other substances in the exercise of all their duties, activities and decision-making. This means consideration must be given to the likely impact on crime and disorder in the development of any policies, strategies and service delivery. This responsibility affects all employees of the council.</p> <p>Section 26 of the Counter Terrorism and Security Act 2015 requires Somerset County Council as well as a range of other public agencies to give “due regard to the need to prevent people from being drawn into terrorism” by embedding the Prevent Duty. This means that the Council should place an appropriate amount of weight on the need to prevent people being drawn into terrorism.</p>
Health and Wellbeing	<p>Local authorities have a duty of wellbeing and more detailed statutory responsibilities under the Health and Social Care Act 2013 to protect and improve the health and wellbeing of the population and to tackle health and social inequalities. The Act requires Local Authorities to give due regard to the needs to the population in line with the Joint Strategic Needs Assessment and Health and Wellbeing Strategy.</p>
Sustainability	<p>Local Authorities have no overarching statutory responsibilities or targets regarding climate change, carbon reduction (net zero) or sustainability, however, it is recognised that all Local Authorities will play a key part in delivering on the commitments, as set out in the Climate Change Act (2008), to reduce net greenhouse gas emissions to zero by 2050 and to protect and enhance nature locally.</p> <p>Local authorities play an important role in delivering net zero and protecting and enhancing the environment in a number of policy areas, including:</p> <ul style="list-style-type: none"> • Implementing enforcing minimum energy efficiency standards for new builds • Delivering funding to retrofit existing homes and improve their energy efficiency

	<ul style="list-style-type: none"> • Shaping housing, infrastructure and renewable energy development in their area in their role as local planning authorities • Developing and delivering heat network connections • Encouraging active travel, decarbonising public transport and installing public charge points for electric vehicles • Delivering bio-diversity net gain (BNG) through new developments • Protecting and enhancing the environment through Local Nature Recovery Strategies
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1.1 Key Impacts from the MTFP 2024/25 proposals

Equality and Diversity

An individual Equality Impact Assessments has been completed for each of the relevant proposals that form the Medium-Term Financial Plan 2024/25. An Equality Impact Assessment is a way of examining and analysing our services, policies and strategies and identifies potential impacts on certain groups of people allowing us to make informed decisions that can be evidenced and published.

This summary of key impacts and the Equality Impact Assessments supporting the relevant proposals have been developed to help councillors:

- debate the issues and robustly consider proposed decisions,
- consider the viability of alternatives,
- note potential mitigating measures and note impacts which may not be able to be mitigated,
- make informed and fair decisions.

The impact assessment process that the Council follows and its duties under the Equality Act 2010 are set out in Annex 1.

When all the proposals are considered together there are a number of protected Characteristics that are more effected than others. These are outlined below:

- **Older people**
Some older people are still more reliant on accessing information and service in a nondigital way where we are talking about delivering online more this could put them at a disadvantage.
- **Disabled people**
Through the reduction in proactive support and employment support, reduction in ways to access information other than online and the ability to access services to support getting out in the community such as toilets
- **Low Income**
A number of the services proposed to be stopped or reduced are provided at a subsidised, reduced or below market price. With prices increasing, the

potential for an increased in council tax and a reduction in services this is likely to impact on those on a low income most profoundly.

- **Carers**

With a number of support and prevention services for disabled adults proposed to be stopped and community facilities such as toilets proposed to be closed this could place an increased burden on those that provide unpaid care for disabled people.

Broader implications that are likely to impact those most vulnerable in society and within that Protected Characteristics:

- **Funding to the Voluntary, Community and Faith and Social Enterprise Sector (VCSFE) in Somerset**

A number of the proposals remove or reduce funding to VCSFE organisation in Somerset. Some of these proposals are funding for specific provision while others are general funding that has been available for a number of years and which supports the organisation's core costs. The VCSFE has a long history of supporting the most vulnerable. Support for Spark Somerset and Citizens Advice will be continued, albeit at a reduced level than in recent years. Reductions to provision and delivery elsewhere in the Somerset system are likely to increase expectation and demand on VCFSE services and support so the potential for this double impact should be recognised.

Having identified the above, it is prudent to also mention proposed mitigations, where they have been identified. A number of services are currently engaging with Parish and Town councils to see if they could take on services that are relevant for their communities such as Public Toilets. Where a move to digital service has been proposed an alternative route such as telephone support is also been identified.

The consideration of due regard covers both those we deliver service too and our staff who deliver these services. Again, when considering proposals together there are a number of Characteristics that could be affected. Having reviewed the available data we cannot identify any disproportionate impacts on any of the Protected Characteristics. As with any redundancy situation the appropriate HR consultation process will take place and relevant support provided.

Health and Safety

In reducing the provision of mobile phones to essential users only, there will be operational staff who have been risk assessed as requiring access to a mobile, this could be due to lone working which may also involve the use of a lone working app being installed on the phone or may also involve the need to engage with the council's H&S management system. For some operational staff communications delivered via their mobile phone may be their primary mechanism for obtaining instruction and organisational messaging. Therefore, while it may be reasonable to reduce provision, there is clearly a need to set criteria in the application of that decision, risk assessing the impact on affected employees, and defining the term essential users.

Any proposals which have an impact on service budgets will need to consider financial commitments required to achieve compliance with our statutory duties. For instance, the provision of personal protective equipment, servicing, and maintenance of equipment to ensure equipment remains fit for purpose, purchasing of equipment of the correct specification to meet H&S needs, etc.

Reduced funding leading to a reduction in Highway maintenance may carry the risk of increased risk to the public safety of road users. Therefore, risk associated with this proposal should clearly articulate the safety implications and subsequent mitigations planned to control the risk. Having said this the service have considered this and identified mitigations around reporting and specific responses.

Health and Wellbeing and Community Safety

The proposed savings have the potential to negatively impact the health and wellbeing of the Somerset population including those with protected characteristics. Recognition of these negative impacts is important within the decision-making process of the council. Assessing the impacts of the proposed savings against the four priorities of the Somerset Improving Lives Strategy 2018-2028 provides a framework to define and understand the cumulative impacts. With a focus on moving to statutory minimum as the means to balance the council's budget, discretionary provision is largely being put forward for savings within the medium-term financial process. Many of these discretionary areas of spend are preventative aiming to improve and maintain the health and wellbeing of the population thereby reducing and delaying demand for Council services which meet higher levels of need, in particular social care services.

Health inequalities are avoidable differences in health and life expectancy. Most health inequalities are driven by unequal access to the 'building blocks' of health, such as good housing, parks, transport, education, employment and training opportunities. If cuts are made uniformly across the county, it is likely that more deprived communities will be more severely impacted than less deprived communities. There is evidence of this in the last decade with austerity linked to a drop in life expectancy in the most deprived areas of England but not in less deprived areas. It is recommended in two national reviews of health inequalities, the Marmot Reviews, in 2010 and 2020, that public services should be provided proportionate to need. Whilst many services will be cut or reduced, the council could consider the relative need in different communities and seek to protect as many services as possible in areas of greater deprivation and worse health outcomes.

Somerset Improving Lives Strategy priorities:

Priority One: A county infrastructure that drives productivity, supports economic prosperity and sustainable public services.

Most of the proposals being considered under this heading are not going to have negative equality impacts as the focus is on efficiencies to be made following the local government reorganisation and maximising appropriate capitalisation. However, the proposals relating to reducing spend on tourism

has the potential to negatively impact on areas of the county who are less economically resilient; those areas of the county who rely on tourism for seasonal jobs and productivity. Often these are some of the most deprived areas of the county, with low-income employment making up the majority of employment opportunities in those areas. A reduction in seasonal employment would negatively impact younger people for example. Having access to good employment opportunities is a key determinant on health and wellbeing.

Priority two: Safe, vibrant and well-balanced communities able to enjoy and benefit from the natural environment.

There are proposals that negatively impact community safety which will be captured elsewhere in the report. Specifically in terms of health and wellbeing this could negatively impact older, vulnerable people, and women and young girls in terms of increasing isolation if they do not feel safe to leave their homes. Feeling lonely and isolated has a significant negative impact on emotional health and wellbeing.

There are potentially impacts on safety of younger people with the potential removal of school crossing patrols and safety on beaches with the removal of RNLI funding.

Reducing community assets which can bring people together e.g., leisure centres and sports facilities, libraries, and entertainment venues, and the infrastructure of support from investment in the voluntary sector and council staff will have a negative impact on some of the most vulnerable in the population including, young people, those with disabilities, older people, and LGBTQ+. Devolution of current council assets is part of the proposals to mitigate the impact of some of the savings being made. The extent to which asset devolution is achieved will determine the full impact of the decisions taken. If devolution is successful the impact on the Somerset population including those with a protected characteristic will be reduced, if not successful the impact will be significant.

Priority Three: Fairer life chances and opportunity for all.

There are proposals which could negatively impact on the following groups:

- Those not in education or employment (NEETS) often these are some of the most vulnerable young people.
- Those with disability including employment opportunities for those with learning disabilities.
- Carers
- Those with mental health conditions. The prevalence of mental health illness is higher for example in some of the protected characteristic groups e.g., LGBTQ+, those with a disability, veterans.
- Those leaving care
- Older people

Education and employment are key determinants impacting health and wellbeing. Reduction in services, and support effecting these areas will have a negative impact on short and long term physical and mental health and people's ability to contribute positively to society and the economy.

Priority Four: Improved health and wellbeing and more people living healthy and independent lives for longer.

There is good evidence of the importance of working with partners across the VCFSE sector to treat the 'causes of the causes' of ill health with services that can address the conditions that cause people to become ill, such as social isolation, financial or housing issues, or needing support to live with a long-term condition or disability. Without these services many more people would make demands on health and social care services and would likely need care and support for longer. There are small community and voluntary groups relying on council funding to work with some of our most isolated and vulnerable communities. These are generally communities that would not engage in Council led services for a number of different reasons. Consideration of a sustainable long-term model of funding to the VCFSE sector from the local authority would mitigate the impacts of proposed savings where signposting to community and voluntary sector services are currently stated as potential mitigations.

There is a cumulative impact across the decisions proposed of negatively effecting the VCFSE sector in Somerset which supports the more vulnerable people in the population who have one or more protected characteristic. Of particular note are older and younger people, those with a disability, veterans, carers and LBGQTQ+.

The rural nature of the county must also be considered. Closing and reducing opening hours of council assets which directly influence health and wellbeing e.g. leisure centres and sport facilities, entertainment venues, libraries, and heritage can disproportionately impact those who are not able to travel to provision elsewhere in the county. Those with disabilities, older people and younger people could be particularly impacted if facilities were previously providing bespoke service provision. The same level of bespoke provision may not be available within local communities thereby requiring transport to access other provision. This would potentially increase costs for those on low incomes.

Sustainability

Overall, doing less can have a positive impact on the Council's carbon emissions, primarily upon it's Scope 1 emissions – direct emissions from e.g., transport and logistics, and also upon its Scope 2 emissions – indirect emissions from the energy that it buys to heat, light and power its service provision. However, that does not take into account the Scope 3 emissions from the alternative provision being delivered by others on the Council's behalf as a result of the diminution of direct delivery, which is notoriously difficult to model.

Savings from proposals such as the rationalisation and of Somerset Council Committees will have a small carbon saving due to the reduction in number and frequency of necessary journeys to attend and the energy used to run the meetings. The centralisation of Executive and informal Executive meetings to Taunton, a central hub with good public transport links, may result in a decrease in vehicular emissions if more attendees utilise public transport to attend.

Increasing parking charges in line with inflation and implementing charges where they haven't previously applied may result in a reduction in car travel due to alternative transport provision becoming more cost effective than using a car. However, it must be acknowledged that it is concerning that proposals have come forward to review the bus services subsidies within the county, which could result in a reduction in service. It is also proposed to review the funding model for the Taunton Park and Ride service. Whilst this is an attempt to put the Park and Ride service on a more sustainable, self-funding footing by reallocating parking charges, there are risks that the approach which may result in a reduction in public transport availability due to the model being untried and untested.

While these proposals seem to be strategically aligned from a carbon reduction point of view, there are risks regarding the ongoing viability.

Of further concern are the proposals to reduce the number of transport policy posts and to reduce the funding for Transport Assessment Review and Modelling Advice. These savings proposals may result in sub-optimal planning for new developments in delivering net-zero transport networks and in the development of policy to deliver a new-zero transport network in line with the developing Local Transport Plan.

A review of the corporate and Waste fleets is welcome as it is expected that a reduction in vehicle numbers, or a move away from Internal Combustion Engine (ICE) vehicles, will result in the number of ICE journeys made and therefore a reduction in vehicle emissions.

The proposals to make efficiencies to Home to school travel, with the promotion of Independent Travel may have an adverse impact on overall carbon emissions if this review results in more individual journeys being made. If the proposal to make savings from the core contract for Household Waste Recycling Centres results in the closure of facilities, it may have both negative carbon and environmental implications. Some service users will need to travel further to access alternative recycling facilities which will increase vehicular emissions, this may also have the unintended consequence of an increase in fly-tipping within the county.

A removal of support and hosting of duplicated or redundant applications, systems and associated services will have a small positive impact on the Councils emissions due to the reduction of power usage to host on servers.

The proposed closure of nurseries in Taunton and Yeovil may have a negative impact on the Council's longer-term environmental ambitions. The Council has a target of 150,000 trees a year being planted in Somerset; the closure of two nurseries, which could be used to propagate and grow a number of these, will mean that stocks will need to be sourced from elsewhere, potentially increasing costs and decreasing the availability and deliverability of this target.

The proposed closure or reduction in opening hours of libraries, the review of the mobile library service and the continued closure of the Octagon Theatre in Yeovil may, on the face of it, have a positive carbon impact due to the reduction in energy used to run the service, however, there is a risk that area-wide emissions may increase due to patrons travelling further to access alternative provision. These risks are yet to be modelled.

Annex 1 - Impact Assessment Process

The Equality Act 2010 aims to further discrimination protection and proactive action to more equality groups. Under the legislation equality groups are now referred to as Protected Characteristics, they are:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation

Whilst assessing the Protected Characteristics for Somerset it was established that there were additional characteristics that for Somerset had a real impact on the ability of people to access services and take part in the wider community. These additional local characteristics are rurality, low income, carers and military status.

A public authority must, in the exercise of its functions, have due regard to the need to:

- d) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- e) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- f) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Example: Using one of the protected characteristics as an illustration, it means considering: whether disabled people will be unlawfully discriminated against (i.e. will they be denied access to a service to which they are entitled?); the extent to which disabled people's needs are met and the extent to which inequalities can be reduced and participation encouraged; whether the approach will increase or decrease disability related prejudice and harassment, including consideration of whether it would give rise to community tensions.

Baroness Thornton in March 2010 stated "I shall try to explain what "due regard" means and how the courts interpret it. The courts have made it clear that having due regard is **more than having a cursory glance** at a document before arriving at a preconceived conclusion. Due regard requires public authorities, in formulating a policy, to give equality considerations the weight which is **proportionate in the circumstances**, given the potential impact of the policy on equality. It is not a question of box-ticking; it requires the equality impact to be **considered rigorously and with an open mind.**"

The Equality Act 2010 and other relevant legislation does not prevent the Council from taking difficult decisions which result in service reductions or closures for example, it does however require the Council to ensure that such decisions are:

- Informed and properly considered with a rigorous, conscious approach and an open mind.
- Taken following due regard having been given to the effects on the protected characteristics with the need to ensure nothing results in unlawful discrimination in terms of access to, or standards of, services or employment as well as considering any opportunities to advance equality and foster good relations.
- Proportionate (that negative impacts, including those that cannot be mitigated, are proportionate to the aims of the policy decision).
- Fair
- Necessary
- Reasonable, and
- Only taken following appropriate consultation with those affected.

Somerset Council - Council Tax Setting 2024/25

1 Executive Summary

- 1.1 The purpose of this appendix is for Full Council to approve the calculation and setting of the Council Tax for 2024/25. This incorporates the precepts approved by all the local authorities for whom Somerset Council collects the council tax – unitary, city, town, parish, police and crime commissioner, and fire and rescue authorities.
- 1.2 The amounts calculated and to be approved fall within the maximum amounts the Council is permitted to charge as determined by the Secretary of State and therefore no referendum is required in order to authorise the calculation.

2 Recommendations

- 2.1 Full Council approve the formal Council Tax Resolution in Appendix 16A.
- 2.2 Full Council notes that if the formal Council Tax Resolution at Appendix 16A is approved, the total Band D Council Tax will be:

	2023/24 £	2024/25 £	Increase %
Somerset Council	1,449.58	1,498.80	4.99
Somerset Council – Social Care	196.46	229.38	
Police and Crime Commissioner	266.20	279.20	4.88
Devon and Somerset Fire Authority	96.79	99.68	2.99
Sub-Total	2,009.03	2,107.06	4.88
Special Expenses Average	1.07	1.11	3.74
City, Town and Parish Council (average)	105.99	158.86	49.88
Total	2,116.09	2,267.03	7.13

3 Risk Assessment

- 3.1 The key risk is that the Council does not approve the council tax requirement in the correct format. The mitigation for this is that the Council uses the CIPFA format to approve the council tax requirement.

4 Background Information

- 4.1 The Local Government Finance Act 1992 (amended by the Localism Act 2011) requires the Billing Authority to calculate a Council Tax Requirement for the year.

Referendum Principles

- 4.2 Authorities will be required to hold a referendum if their relevant basic amount of council tax (i.e. the band D having excluded local precepts) is in excess of the council tax referendum principles set annually by the Secretary of State. The following council tax referendum limits apply for 2024/25:

Legislation	Plain English
<p>Determine that the Council’s basic amount of Council Tax for 2024/25 is not excessive, in accordance with principles approved under Section 52ZC (3A) (a)(b) and 52ZC (3A) (B) of the Act</p>	<p>The Secretary of State for the Ministry of Housing, Communities & Local Government has determined a set of principles which state that for an authority the relevant basic amount of Council Tax is excessive if the amount exceeds the principles set out below</p>

- a. A core referendum principle of up to 5 per cent will apply to any relevant local authority, comprising 2 per cent for expenditure on adult social care, and 3 per cent for other expenditure.
- b. Fire and Rescue Authorities will have a principle of up to 3 per cent.
- c. £13 for any police and crime commissioners.
- d. No referendum principles will be set for parish and town councils.

Precept Levels

Somerset Council

- 4.3 Members are being asked to approve a total Council Tax requirement, of £360,840,026.47 for Somerset Council for 2024/25, which equates to total a Band D equivalent of £1,728.18; This is calculated as an increase of 2.99% for the general precept and 2.00% for Adult Social Care. This figure also includes a precept in respect of the

Somerset Rivers Authority. Details of the Council Tax charge can be seen in the table below. The total increase for the SCC precept when combining all three elements is 4.99%.

	Precept £	Band D £	Increase £	Increase %
Somerset Council	309,887,121	1,484.15	49.22	2.99
Somerset Council – Social Care	47,894,019	229.38	32.92	2.00
Somerset Council – Somerset Rivers Authority	3,058,886	14.65	0.00	0.00
Total	360,840,026	1,728.18	82.14	4.99

Police and Crime Commissioner

- 4.4 The Avon and Somerset Police and Crime Commissioner approved its Council Tax requirement on 01 February 2024 and set its precept at £58,296,320.63, which results in a Band D Council Tax charge of £279.20, an increase of £13.00 (4.88%).

Devon and Somerset Fire and Rescue Service

- 4.5 The Devon and Somerset Fire and Rescue Authority is due to approve its Council Tax requirement on 16 February 2024 and be requested to set its precept at £20,812,955.73 which results in a Band D Council Tax charge of £99.68 an increase of £2.89 (2.99%).

City, Town, and Parish Councils

- 4.6 The 2024/25 City, Town, and Parish Council Precepts total £33,168,846.58 which results in an average Band D Council Tax figure of £158.86 (£105.99 for 2023/24) an increase in the average Band D Council Tax for City, Town and Parish Councils is £52.87 (49.88%) which are detailed in Appendix 16C.

Special Expenses

- 4.7 The 2024/25 Special Expense Precepts total £230,976.84 which are detailed in Appendix 5.

Collection Fund Surpluses and Deficits

- 4.7 The estimated balance on the Council Tax Collection Fund is forecast on 15th January each year. Any surplus or deficit is shared between the Police and Crime Commissioner, the Fire Authority and Somerset Council, in shares relative to our precept levels.
- 4.8 The estimated balance on the Council Tax Collection Fund is a surplus of £7.520m. Somerset Council’s share of this amounts to £6.230m and this is reflected in the General Fund revenue estimates.

5 Legal Implications

- 5.1 The requirement to set the annual determination is set out in the Local Government Finance Act 1992, as amended by the Localism Act 2011, and this report complies with those requirements.

6 Background Papers

- 6.1 Local Government Finance Act 1992 (as amended)
- 6.2 Localism Act 2011
- 6.3 The Referendums Relating to Council Tax Increases (Principles) (England) Report 2024/25

List of Appendices

Appendix 16A	Council Tax Resolution 2024/25
Appendix 16B	Council Tax Charge Schedule Per Valuation Band 2024/25
Appendix 16C	City, Town, and Parish Precepts 2024/25
Appendix 5	Special Expenses 2024/25

The Council is recommended to resolve as follows:

1. The Council Tax Base for the year 2024/25 was calculated in accordance with the provisions of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 1992 as amended and made under Section 33 (5) of the Local Government Finance Act 1992, (referred to hereinafter as “the Act”).

			Legislation	Plain English
1	a	208,797.71	the Council Tax Base 2024/25 for the whole Council area [Item T in the formula in Section 31B (3) of the Local Government Finance Act 1992, as amended (the "Act")] and, for dwellings in those parts of its area to which a Parish precept relates as in appendix 16C.	The tax base for the whole district and the taxbase for each City/Town/Parish.

2. Calculate that the Council Tax requirement for the Council’s own purposes for 2024/25 (excluding Parish precepts) is:

2	a	357,781,140	(excluding Parish precepts)
		3,058,886	with an additional requirement for the Somerset Rivers Authority

3. That the Council calculates the following amounts for 2024/25 in accordance with Sections 31B and 34 to 36 of the Act (as amended by the Localism Act 2011 and Local Government Regulations 2012).

			Legislation	Plain English
3	a	£1,396,639,368	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act, taking into account all precepts issued to it by Parish Councils.	The estimated gross revenue expenditure (including transfers to reserves and deficits on the collection fund) for the General Fund, Special Expenses account, other General Fund revenue reserves and Parish/City/Town precepts
	b	£1,002,399,517	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act	The estimated gross revenue income (including the transfer of the surplus on the collection fund, formula grant and transfers from reserves) for the same funds as mentioned above.
	c	£394,239,851	being the amount by which the aggregate expenditure at 3(a) above exceeds the aggregate income at 3(b) above, calculated by the Council, in accordance with Section 31A (4) of the Act; as its Council Tax requirement for the year. [Item R in the formula in Section 31B of the Act.]	The net (expenditure less income) funding requirement for the General Fund and Special Expenses accounts plus the Parish precepts issued for the year.
	d	£1,888.15	being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of it's Council Tax for the year.	The average Band D tax across Somerset inclusive of parish precepts and Special expenses. It is not actually charged anywhere in Somerset but must be calculated by law as part of the Council Tax setting process.
	e	£33,399,824	being the aggregate amount of all special items referred to in Section 34(1) of the Act.	The total of parish precepts received for the year and the net Special expenses.
	f	£1,728.18	being the amount at 3(d) above less the result given by dividing	This is the band D Council Tax for Somerset Council (including

			Legislation	Plain English
			the amount at 3(e) above by Item T (2 above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special items relates.	the Somerset Rivers Authority) only.

4. To note that the Police Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.
5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the table below as the amounts of Council Tax for 2024/25 for each part of its area and for each of the categories of dwellings.

Council Tax Charge Schedule Per Valuation Band 2024/25

Average Council Tax Charge Schedule 2024/25	Valuation Bands							
	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Somerset Council - General	989.43	1,154.34	1,319.25	1,484.15	1,813.96	2,143.77	2,473.58	2,968.30
Somerset Council - Somerset Rivers Authority	9.77	11.39	13.02	14.65	17.91	21.16	24.42	29.30
Somerset Council - Adult Social Care	152.92	178.41	203.89	229.38	280.35	331.33	382.30	458.76
Police and Crime Commissioner	186.13	217.16	248.18	279.20	341.24	403.29	465.33	558.40
Devon and Somerset Fire and Rescue Authority	66.45	77.53	88.60	99.68	121.83	143.98	166.13	199.36
Totals excluding City/Parish/Town Precepts & Special Expenses	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
Special Expenses	0.74	0.86	0.99	1.11	1.36	1.60	1.85	2.22
Average City/Parish/Town	105.91	123.56	141.21	158.86	194.16	229.46	264.77	317.72
Total including Average Parish/Town Precept and Average Special Expenses	1,511.35	1,763.25	2,015.14	2,267.03	2,770.81	3,274.59	3,778.38	4,534.06

Actual Council Tax Charge Schedule Per Parish

Legacy Council	Parish:	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
		£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
MDC	Ashwick	1,436.21	1,675.59	1,914.95	2,154.32	2,633.05	3,111.79	3,590.53	4,308.64
MDC	Baltonsborough	1,434.47	1,673.57	1,912.64	2,151.72	2,629.87	3,108.04	3,586.19	4,303.44
MDC	Batcombe	1,436.27	1,675.66	1,915.03	2,154.41	2,633.16	3,111.92	3,590.68	4,308.82
MDC	Beckington	1,460.71	1,704.18	1,947.62	2,191.08	2,677.98	3,164.89	3,651.79	4,382.16
MDC	Berkley	1,427.51	1,665.45	1,903.36	2,141.28	2,617.11	3,092.96	3,568.79	4,282.56
MDC	Binegar	1,449.81	1,691.45	1,933.08	2,174.72	2,657.99	3,141.26	3,624.53	4,349.44
MDC	Buckland Dinham	1,441.39	1,681.64	1,921.86	2,162.10	2,642.56	3,123.03	3,603.49	4,324.20
MDC	Butleigh	1,435.12	1,674.32	1,913.50	2,152.69	2,631.06	3,109.44	3,587.81	4,305.38
MDC	Chewton Mendip	1,425.88	1,663.54	1,901.18	2,138.83	2,614.12	3,089.42	3,564.71	4,277.66
MDC	Chilcompton	1,434.97	1,674.14	1,913.30	2,152.46	2,630.78	3,109.11	3,587.43	4,304.92
MDC	Coleford	1,461.59	1,705.20	1,948.79	2,192.39	2,679.58	3,166.78	3,653.98	4,384.78
MDC	Cranmore	1,440.28	1,680.34	1,920.38	2,160.43	2,640.52	3,120.62	3,600.71	4,320.86
MDC	Croscombe	1,445.21	1,686.09	1,926.96	2,167.83	2,649.57	3,131.31	3,613.04	4,335.66
MDC	Ditcheat	1,436.75	1,676.23	1,915.68	2,155.14	2,634.05	3,112.98	3,591.89	4,310.28
MDC	Doulting	1,467.36	1,711.93	1,956.49	2,201.05	2,690.17	3,179.29	3,668.41	4,402.10
MDC	Downhead	1,427.27	1,665.16	1,903.03	2,140.91	2,616.66	3,092.42	3,568.18	4,281.82
MDC	East Pennard	1,419.76	1,656.40	1,893.02	2,129.65	2,602.90	3,076.16	3,549.41	4,259.30
MDC	Emborough	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
MDC	Evercreech	1,453.40	1,695.66	1,937.88	2,180.12	2,664.58	3,149.06	3,633.52	4,360.24
MDC	Frome	1,592.08	1,857.44	2,122.78	2,388.13	2,918.82	3,449.52	3,980.21	4,776.26
MDC	Glastonbury	1,609.74	1,878.04	2,146.33	2,414.62	2,951.20	3,487.78	4,024.36	4,829.24
MDC	Godney	1,510.55	1,762.31	2,014.07	2,265.83	2,769.35	3,272.86	3,776.38	4,531.66

Appendix 16B

MDC	Great Elm	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
MDC	Hemington	1,449.19	1,690.73	1,932.26	2,173.79	2,656.85	3,139.92	3,622.98	4,347.58
MDC	Holcombe	1,427.14	1,665.01	1,902.86	2,140.72	2,616.43	3,092.15	3,567.86	4,281.44
MDC	Kilmersdon	1,472.66	1,718.12	1,963.55	2,209.00	2,699.88	3,190.78	3,681.66	4,418.00
MDC	Lamyatt	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
MDC	Leigh on Mendip	1,446.55	1,687.65	1,928.74	2,169.83	2,652.01	3,134.20	3,616.38	4,339.66
MDC	Litton	1,443.97	1,684.64	1,925.30	2,165.96	2,647.28	3,128.61	3,609.93	4,331.92
MDC	Lullington	1,425.14	1,662.68	1,900.19	2,137.72	2,612.76	3,087.82	3,562.86	4,275.44
MDC	Lydford on Fosse	1,444.47	1,685.23	1,925.97	2,166.72	2,648.21	3,129.71	3,611.19	4,333.44
MDC	Meare	1,480.89	1,727.71	1,974.53	2,221.34	2,714.97	3,208.60	3,702.23	4,442.68
MDC	Mells	1,442.21	1,682.59	1,922.95	2,163.32	2,644.05	3,124.79	3,605.53	4,326.64
MDC	Milton Clevedon	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
MDC	North Wootton	1,430.88	1,669.37	1,907.85	2,146.33	2,623.29	3,100.25	3,577.21	4,292.66
MDC	Norton St Philip	1,474.87	1,720.70	1,966.50	2,212.32	2,703.94	3,195.57	3,687.19	4,424.64
MDC	Nunney	1,493.64	1,742.60	1,991.53	2,240.47	2,738.34	3,236.23	3,734.11	4,480.94
MDC	Pilton	1,448.32	1,689.72	1,931.10	2,172.49	2,655.26	3,138.04	3,620.81	4,344.98
MDC	Priddy	1,433.77	1,672.75	1,911.70	2,150.67	2,628.59	3,106.52	3,584.44	4,301.34
MDC	Pylle	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
MDC	Rode	1,446.21	1,687.26	1,928.29	2,169.33	2,651.40	3,133.48	3,615.54	4,338.66
MDC	Rodney Stoke	1,443.44	1,684.03	1,924.60	2,165.18	2,646.33	3,127.49	3,608.62	4,330.36
MDC	Selwood	1,423.22	1,660.44	1,897.63	2,134.84	2,609.24	3,083.66	3,558.06	4,269.68
MDC	Sharpham	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
MDC	Shepton Mallet	1,611.54	1,880.15	2,148.73	2,417.32	2,954.49	3,491.68	4,028.86	4,834.64
MDC	St Cuthbert Out	1,457.61	1,700.56	1,943.49	2,186.43	2,672.30	3,158.18	3,644.04	4,372.86
MDC	Stoke St Michael	1,455.59	1,698.21	1,940.80	2,183.40	2,668.59	3,153.80	3,638.99	4,366.80
MDC	Ston Easton	1,439.12	1,678.99	1,918.83	2,158.69	2,638.39	3,118.11	3,597.81	4,317.38
MDC	Stratton on the Fosse	1,447.99	1,689.33	1,930.66	2,171.99	2,654.65	3,137.32	3,619.98	4,343.98
MDC	Street	1,537.65	1,793.93	2,050.21	2,306.48	2,819.03	3,331.58	3,844.13	4,612.96

Appendix 16B

MDC	Tellisford	1,409.99	1,645.01	1,880.00	2,115.00	2,584.99	3,055.00	3,524.99	4,230.00
MDC	Trudoxhill	1,438.69	1,678.49	1,918.26	2,158.05	2,637.61	3,117.19	3,596.74	4,316.10
MDC	Upton Noble	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
MDC	Walton	1,464.46	1,708.56	1,952.62	2,196.71	2,684.86	3,173.02	3,661.17	4,393.42
MDC	Wanstrow	1,434.85	1,674.00	1,913.14	2,152.28	2,630.56	3,108.85	3,587.13	4,304.56
MDC	Wells	1,590.67	1,855.79	2,120.90	2,386.01	2,916.23	3,446.46	3,976.68	4,772.02
MDC	West Bradley	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
MDC	Westbury Sub Mendip	1,455.33	1,697.89	1,940.44	2,183.00	2,668.11	3,153.22	3,638.33	4,366.00
MDC	West Pennard	1,419.41	1,656.00	1,892.56	2,129.13	2,602.26	3,075.41	3,548.54	4,258.26
MDC	Whatley	1,445.57	1,686.51	1,927.43	2,168.36	2,650.21	3,132.07	3,613.93	4,336.72
MDC	Witham Friary	1,453.79	1,696.11	1,938.40	2,180.70	2,665.29	3,149.90	3,634.49	4,361.40
MDC	Wookey	1,472.97	1,718.48	1,963.97	2,209.47	2,700.46	3,191.46	3,682.44	4,418.94
SDC	Ashcott	1,437.97	1,677.65	1,917.30	2,156.97	2,636.29	3,115.62	3,594.94	4,313.94
SDC	Axbridge	1,524.97	1,779.15	2,033.30	2,287.47	2,795.79	3,304.12	3,812.44	4,574.94
SDC	Badgworth	1,445.07	1,685.93	1,926.77	2,167.62	2,649.31	3,131.01	3,612.69	4,335.24
SDC	Bawdrip	1,430.38	1,668.79	1,907.18	2,145.58	2,622.37	3,099.17	3,575.96	4,291.16
SDC	Berrow	1,496.75	1,746.22	1,995.67	2,245.13	2,744.04	3,242.96	3,741.88	4,490.26
SDC	Brean	1,445.90	1,686.90	1,927.87	2,168.86	2,650.82	3,132.80	3,614.76	4,337.72
SDC	Brent Knoll	1,473.64	1,719.26	1,964.86	2,210.47	2,701.68	3,192.90	3,684.11	4,420.94
SDC	Bridgwater	1,601.59	1,868.53	2,135.46	2,402.39	2,936.25	3,470.12	4,003.98	4,804.78
SDC	Bridgwater Without	1,442.59	1,683.04	1,923.46	2,163.90	2,644.76	3,125.63	3,606.49	4,327.80
SDC	Broomfield	1,427.61	1,665.56	1,903.49	2,141.43	2,617.30	3,093.18	3,569.04	4,282.86
SDC	Burnham-on-Sea & Highbridge	1,500.31	1,750.37	2,000.42	2,250.47	2,750.57	3,250.68	3,750.78	4,500.94
SDC	Burnham Without	1,423.85	1,661.17	1,898.47	2,135.78	2,610.39	3,085.01	3,559.63	4,271.56
SDC	Burtle	1,423.34	1,660.58	1,897.79	2,135.02	2,609.46	3,083.92	3,558.36	4,270.04
SDC	Cannington	1,445.89	1,686.88	1,927.86	2,168.84	2,650.80	3,132.77	3,614.73	4,337.68
SDC	Catcott	1,433.83	1,672.81	1,911.78	2,150.75	2,628.69	3,106.64	3,584.58	4,301.50

2009-10

Appendix 16B

SDC	Chapel Allerton	1,431.95	1,670.62	1,909.27	2,147.93	2,625.24	3,102.56	3,579.88	4,295.86
SDC	Cheddar	1,479.23	1,725.79	1,972.32	2,218.86	2,711.93	3,205.02	3,698.09	4,437.72
SDC	Chedzoy	1,444.35	1,685.08	1,925.80	2,166.53	2,647.98	3,129.43	3,610.88	4,333.06
SDC	Chilton Polden	1,419.53	1,656.13	1,892.71	2,129.30	2,602.47	3,075.65	3,548.83	4,258.60
SDC	Chilton Trinity	1,442.65	1,683.11	1,923.54	2,163.99	2,644.87	3,125.76	3,606.64	4,327.98
SDC	Compton Bishop	1,442.68	1,683.14	1,923.58	2,164.03	2,644.92	3,125.82	3,606.71	4,328.06
SDC	Cossington	1,432.58	1,671.36	1,910.11	2,148.88	2,626.40	3,103.94	3,581.46	4,297.76
SDC	Durleigh	1,444.61	1,685.39	1,926.15	2,166.92	2,648.45	3,129.99	3,611.53	4,333.84
SDC	East Brent	1,437.36	1,676.93	1,916.49	2,156.05	2,635.17	3,114.29	3,593.41	4,312.10
SDC	East Huntspill	1,459.09	1,702.28	1,945.46	2,188.64	2,675.00	3,161.37	3,647.73	4,377.28
SDC	Edington	1,444.02	1,684.70	1,925.37	2,166.04	2,647.38	3,128.72	3,610.06	4,332.08
SDC	Enmore	1,435.33	1,674.57	1,913.78	2,153.01	2,631.45	3,109.90	3,588.34	4,306.02
SDC	Fiddington	1,429.19	1,667.40	1,905.59	2,143.79	2,620.18	3,096.58	3,572.98	4,287.58
SDC	Goathurst	1,427.18	1,665.06	1,902.91	2,140.78	2,616.50	3,092.24	3,567.96	4,281.56
SDC	Greinton	1,411.34	1,646.58	1,881.79	2,117.02	2,587.46	3,057.92	3,528.36	4,234.04
SDC	Lympsham	1,462.04	1,705.73	1,949.39	2,193.07	2,680.41	3,167.77	3,655.11	4,386.14
SDC	Lyng	1,433.02	1,671.87	1,910.70	2,149.54	2,627.21	3,104.89	3,582.56	4,299.08
SDC	Mark	1,425.32	1,662.89	1,900.43	2,137.99	2,613.09	3,088.21	3,563.31	4,275.98
SDC	Middlezoy	1,446.71	1,687.84	1,928.95	2,170.07	2,652.30	3,134.54	3,616.78	4,340.14
SDC	Moorlinch	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SDC	Nether Stowey	1,480.70	1,727.50	1,974.27	2,221.06	2,714.62	3,208.20	3,701.76	4,442.12
SDC	North Petherton	1,487.80	1,735.78	1,983.74	2,231.71	2,727.64	3,223.58	3,719.51	4,463.42
SDC	Othery	1,432.55	1,671.32	1,910.07	2,148.83	2,626.34	3,103.86	3,581.38	4,297.66
SDC	Otterhampton	1,460.53	1,703.97	1,947.38	2,190.81	2,677.65	3,164.50	3,651.34	4,381.62
SDC	Over Stowey	1,438.98	1,678.82	1,918.65	2,158.48	2,638.14	3,117.80	3,597.46	4,316.96
SDC	Pawlett	1,439.47	1,679.40	1,919.30	2,159.22	2,639.04	3,118.87	3,598.69	4,318.44
SDC	Puriton	1,466.69	1,711.15	1,955.59	2,200.04	2,688.93	3,177.83	3,666.73	4,400.08
SDC	Shapwick	1,448.51	1,689.94	1,931.35	2,172.77	2,655.60	3,138.44	3,621.28	4,345.54

Appendix 16B

SDC	Shipham	1,422.43	1,659.52	1,896.58	2,133.66	2,607.80	3,081.95	3,556.09	4,267.32
SDC	Spaxton	1,426.00	1,663.68	1,901.34	2,139.01	2,614.34	3,089.68	3,565.01	4,278.02
SDC	Stawell	1,429.72	1,668.02	1,906.30	2,144.59	2,621.16	3,097.74	3,574.31	4,289.18
SDC	Stockland Bristol	1,425.49	1,663.08	1,900.66	2,138.24	2,613.40	3,088.57	3,563.73	4,276.48
SDC	Thurloxtton	1,444.35	1,685.09	1,925.81	2,166.54	2,647.99	3,129.45	3,610.89	4,333.08
SDC	Weare	1,424.93	1,662.43	1,899.91	2,137.40	2,612.37	3,087.35	3,562.33	4,274.80
SDC	Wedmore	1,447.42	1,688.67	1,929.90	2,171.14	2,653.61	3,136.09	3,618.56	4,342.28
SDC	Wembdon	1,470.83	1,715.99	1,961.12	2,206.26	2,696.53	3,186.82	3,677.09	4,412.52
SDC	West Huntspill	1,442.04	1,682.39	1,922.73	2,163.07	2,643.75	3,124.43	3,605.11	4,326.14
SDC	Westonzoyland	1,431.67	1,670.29	1,908.90	2,147.51	2,624.73	3,101.96	3,579.18	4,295.02
SDC	Woolavington	1,448.39	1,689.80	1,931.19	2,172.59	2,655.38	3,138.18	3,620.98	4,345.18
SWT	Ash Priors	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SWT	Ashbrittle	1,420.30	1,657.03	1,893.74	2,130.46	2,603.89	3,077.33	3,550.76	4,260.92
SWT	Bathealton	1,416.09	1,652.12	1,888.13	2,124.15	2,596.18	3,068.22	3,540.24	4,248.30
SWT	Bicknoller	1,434.37	1,673.45	1,912.50	2,151.57	2,629.69	3,107.82	3,585.94	4,303.14
SWT	Bishops Hull	1,442.30	1,682.70	1,923.07	2,163.46	2,644.22	3,125.00	3,605.76	4,326.92
SWT	Bishops Lydeard/Cothelstone	1,447.50	1,688.76	1,930.01	2,171.26	2,653.76	3,136.26	3,618.76	4,342.52
SWT	Bradford on Tone	1,428.31	1,666.37	1,904.42	2,142.47	2,618.57	3,094.68	3,570.78	4,284.94
SWT	Brompton Ralph	1,434.20	1,673.25	1,912.27	2,151.31	2,629.37	3,107.45	3,585.51	4,302.62
SWT	Brompton Regis	1,421.35	1,658.25	1,895.14	2,132.03	2,605.81	3,079.60	3,553.38	4,264.06
SWT	Brushford	1,462.17	1,705.88	1,949.57	2,193.27	2,680.66	3,168.06	3,655.44	4,386.54
SWT	Burrowbridge	1,436.60	1,676.05	1,915.47	2,154.91	2,633.77	3,112.65	3,591.51	4,309.82
SWT	Carhampton	1,445.23	1,686.11	1,926.98	2,167.85	2,649.59	3,131.34	3,613.08	4,335.70
SWT	Cheddon Fitzpaine	1,463.61	1,707.55	1,951.48	2,195.42	2,683.29	3,171.16	3,659.03	4,390.84
SWT	Chipstable	1,421.40	1,658.31	1,895.21	2,132.11	2,605.91	3,079.71	3,553.51	4,264.22
SWT	Churchstanton	1,450.18	1,691.89	1,933.58	2,175.28	2,658.67	3,142.07	3,625.46	4,350.56
SWT	Clatworthy	1,421.19	1,658.07	1,894.93	2,131.80	2,605.53	3,079.27	3,552.99	4,263.60
SWT	Combe Florey	1,426.40	1,664.15	1,901.87	2,139.61	2,615.07	3,090.55	3,566.01	4,279.22

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Appendix 16B

SWT	Corfe	1,458.95	1,702.13	1,945.28	2,188.44	2,674.75	3,161.08	3,647.39	4,376.88
SWT	Cotford St Luke	1,451.95	1,693.96	1,935.94	2,177.94	2,661.92	3,145.91	3,629.89	4,355.88
SWT	Creech St Michael	1,456.43	1,699.18	1,941.91	2,184.65	2,670.12	3,155.60	3,641.08	4,369.30
SWT	Crowcombe	1,443.37	1,683.95	1,924.50	2,165.07	2,646.19	3,127.32	3,608.44	4,330.14
SWT	Cutcombe	1,445.44	1,686.36	1,927.26	2,168.17	2,649.98	3,131.80	3,613.61	4,336.34
SWT	Dulverton	1,501.13	1,751.33	2,001.51	2,251.70	2,752.07	3,252.45	3,752.83	4,503.40
SWT	Dunster	1,455.91	1,698.58	1,941.22	2,183.88	2,669.18	3,154.49	3,639.79	4,367.76
SWT	Durston	1,428.03	1,666.04	1,904.04	2,142.05	2,618.06	3,094.07	3,570.08	4,284.10
SWT	East Quantoxhead	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SWT	Elworthy	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SWT	Exford	1,451.25	1,693.13	1,935.00	2,176.88	2,660.63	3,144.38	3,628.13	4,353.76
SWT	Exmoor	1,445.67	1,686.62	1,927.56	2,168.51	2,650.40	3,132.29	3,614.18	4,337.02
SWT	Exton	1,446.79	1,687.93	1,929.06	2,170.19	2,652.45	3,134.72	3,616.98	4,340.38
SWT	Fitzhead	1,476.91	1,723.08	1,969.22	2,215.38	2,707.68	3,199.99	3,692.29	4,430.76
SWT	Halse	1,440.91	1,681.07	1,921.22	2,161.37	2,641.67	3,121.98	3,602.28	4,322.74
SWT	Hatch Beauchamp	1,420.80	1,657.61	1,894.41	2,131.21	2,604.81	3,078.41	3,552.01	4,262.42
SWT	Holford	1,447.32	1,688.55	1,929.77	2,170.99	2,653.43	3,135.87	3,618.31	4,341.98
SWT	Huish Champflower	1,435.04	1,674.23	1,913.39	2,152.57	2,630.91	3,109.27	3,587.61	4,305.14
SWT	Kilve	1,443.73	1,684.37	1,924.98	2,165.61	2,646.85	3,128.10	3,609.34	4,331.22
SWT	Kingston St Mary	1,430.99	1,669.50	1,907.99	2,146.49	2,623.48	3,100.48	3,577.48	4,292.98
SWT	Langford Budville	1,431.90	1,670.56	1,909.21	2,147.86	2,625.16	3,102.46	3,579.76	4,295.72
SWT	Luccombe	1,438.77	1,678.58	1,918.37	2,158.17	2,637.76	3,117.36	3,596.94	4,316.34
SWT	Luxborough	1,437.14	1,676.68	1,916.19	2,155.72	2,634.76	3,113.82	3,592.86	4,311.44
SWT	Lydeard St Lawrence/Tolland	1,418.20	1,654.58	1,890.94	2,127.31	2,600.04	3,072.78	3,545.51	4,254.62
SWT	Milverton	1,461.18	1,704.72	1,948.25	2,191.78	2,678.84	3,165.90	3,652.96	4,383.56
SWT	Minehead	1,547.71	1,805.68	2,063.62	2,321.58	2,837.48	3,353.39	3,869.29	4,643.16
SWT	Monksilver	1,431.90	1,670.56	1,909.21	2,147.86	2,625.16	3,102.46	3,579.76	4,295.72
SWT	Neroche	1,447.48	1,688.74	1,929.98	2,171.23	2,653.72	3,136.22	3,618.71	4,342.46

Appendix 16B

SWT	Nettlecombe	1,421.49	1,658.42	1,895.33	2,132.25	2,606.08	3,079.92	3,553.74	4,264.50
SWT	North Curry	1,426.93	1,664.77	1,902.58	2,140.41	2,616.05	3,091.70	3,567.34	4,280.82
SWT	Norton Fitzwarren	1,425.35	1,662.92	1,900.47	2,138.03	2,613.14	3,088.26	3,563.38	4,276.06
SWT	Nynehead	1,436.27	1,675.67	1,915.04	2,154.42	2,633.17	3,111.94	3,590.69	4,308.84
SWT	Oake	1,434.65	1,673.77	1,912.87	2,151.98	2,630.19	3,108.41	3,586.63	4,303.96
SWT	Oare	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SWT	Old Cleeve	1,440.57	1,680.68	1,920.77	2,160.87	2,641.06	3,121.26	3,601.44	4,321.74
SWT	Otterford	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SWT	Pitminster	1,418.87	1,655.36	1,891.83	2,128.31	2,601.26	3,074.22	3,547.18	4,256.62
SWT	Porlock	1,494.39	1,743.46	1,992.52	2,241.59	2,739.72	3,237.85	3,735.98	4,483.18
SWT	Ruishton/Thornfalcon	1,450.33	1,692.07	1,933.78	2,175.51	2,658.95	3,142.40	3,625.84	4,351.02
SWT	Sampford Arundel	1,441.81	1,682.13	1,922.42	2,162.73	2,643.33	3,123.94	3,604.54	4,325.46
SWT	Sampford Brett	1,422.71	1,659.85	1,896.96	2,134.08	2,608.31	3,082.56	3,556.79	4,268.16
SWT	Selworthy and Minehead Without	1,445.87	1,686.86	1,927.83	2,168.81	2,650.76	3,132.72	3,614.68	4,337.62
SWT	Skilgate	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SWT	Stawley	1,418.63	1,655.09	1,891.52	2,127.96	2,600.83	3,073.72	3,546.59	4,255.92
SWT	Stogumber	1,452.60	1,694.71	1,936.81	2,178.91	2,663.11	3,147.31	3,631.51	4,357.82
SWT	Stogursey	1,454.54	1,696.98	1,939.39	2,181.82	2,666.66	3,151.52	3,636.36	4,363.64
SWT	Stoke St Gregory	1,438.42	1,678.17	1,917.90	2,157.64	2,637.11	3,116.59	3,596.06	4,315.28
SWT	Stoke St Mary	1,439.19	1,679.07	1,918.93	2,158.80	2,638.53	3,118.27	3,597.99	4,317.60
SWT	Stringston	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SWT	Taunton	1,604.23	1,871.62	2,138.98	2,406.36	2,941.10	3,475.85	4,010.59	4,812.72
SWT	Timberscombe	1,447.42	1,688.67	1,929.90	2,171.14	2,653.61	3,136.09	3,618.56	4,342.28
SWT	Treborough	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SWT	Trull	1,428.08	1,666.11	1,904.11	2,142.13	2,618.15	3,094.19	3,570.21	4,284.26
SWT	Upton	1,413.19	1,648.73	1,884.26	2,119.79	2,590.85	3,061.92	3,532.98	4,239.58
SWT	Watchet	1,510.72	1,762.52	2,014.30	2,266.09	2,769.66	3,273.24	3,776.81	4,532.18

Appendix 16B

SWT	Wellington	1,515.56	1,768.17	2,020.75	2,273.35	2,778.53	3,283.73	3,788.91	4,546.70
SWT	Wellington Without	1,422.85	1,660.01	1,897.14	2,134.29	2,608.57	3,082.86	3,557.14	4,268.58
SWT	West Bagborough	1,431.11	1,669.64	1,908.15	2,146.67	2,623.70	3,100.74	3,577.78	4,293.34
SWT	West Buckland	1,422.25	1,659.30	1,896.34	2,133.38	2,607.46	3,081.55	3,555.63	4,266.76
SWT	West Hatch	1,427.99	1,666.00	1,903.99	2,141.99	2,617.98	3,093.98	3,569.98	4,283.98
SWT	West Monkton	1,457.02	1,699.87	1,942.70	2,185.54	2,671.21	3,156.89	3,642.56	4,371.08
SWT	West Quantoxhead	1,422.01	1,659.03	1,896.02	2,133.03	2,607.03	3,081.04	3,555.04	4,266.06
SWT	Williton	1,516.42	1,769.17	2,021.90	2,274.64	2,780.11	3,285.59	3,791.06	4,549.28
SWT	Winsford	1,444.47	1,685.23	1,925.97	2,166.72	2,648.21	3,129.71	3,611.19	4,333.44
SWT	Withycombe	1,450.27	1,692.00	1,933.70	2,175.42	2,658.84	3,142.27	3,625.69	4,350.84
SWT	Withypool and Hawkridge	1,444.01	1,684.69	1,925.35	2,166.02	2,647.35	3,128.69	3,610.03	4,332.04
SWT	Wiveliscombe	1,441.87	1,682.20	1,922.50	2,162.82	2,643.44	3,124.07	3,604.69	4,325.64
SWT	Wootton Courtenay	1,428.99	1,667.17	1,905.33	2,143.50	2,619.83	3,096.17	3,572.49	4,287.00
SSDC	Abbas and Templecombe	1,442.19	1,682.57	1,922.93	2,163.30	2,644.03	3,124.77	3,605.49	4,326.60
SSDC	Aller	1,455.17	1,697.72	1,940.24	2,182.77	2,667.82	3,152.89	3,637.94	4,365.54
SSDC	Ansford	1,460.34	1,703.74	1,947.13	2,190.52	2,677.30	3,164.08	3,650.86	4,381.04
SSDC	Ash	1,526.53	1,780.97	2,035.38	2,289.81	2,798.65	3,307.50	3,816.34	4,579.62
SSDC	Ashill	1,424.50	1,661.93	1,899.34	2,136.76	2,611.59	3,086.43	3,561.26	4,273.52
SSDC	Babcary	1,429.88	1,668.21	1,906.51	2,144.83	2,621.45	3,098.09	3,574.71	4,289.66
SSDC	Barrington	1,473.13	1,718.67	1,964.18	2,209.71	2,700.75	3,191.80	3,682.84	4,419.42
SSDC	Barton St. David	1,435.01	1,674.19	1,913.35	2,152.52	2,630.85	3,109.19	3,587.53	4,305.04
SSDC	Barwick & Stoford	1,507.77	1,759.07	2,010.36	2,261.66	2,764.25	3,266.84	3,769.43	4,523.32
SSDC	Beercrocombe	1,423.51	1,660.78	1,898.02	2,135.28	2,609.78	3,084.29	3,558.79	4,270.56
SSDC	Bratton Seymour	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Brewham	1,419.05	1,655.57	1,892.07	2,128.58	2,601.59	3,074.61	3,547.63	4,257.16
SSDC	Broadway	1,462.50	1,706.26	1,950.01	2,193.76	2,681.26	3,168.76	3,656.26	4,387.52
SSDC	Bruton	1,527.98	1,782.66	2,037.31	2,291.98	2,801.30	3,310.64	3,819.96	4,583.96
SSDC	Brympton	1,423.12	1,660.32	1,897.50	2,134.69	2,609.06	3,083.44	3,557.81	4,269.38

Appendix 16B

SSDC	Buckland St. Mary	1,437.75	1,677.38	1,917.00	2,156.63	2,635.88	3,115.13	3,594.38	4,313.26
SSDC	Alford (Cary Moor)	1,438.50	1,678.26	1,918.01	2,157.76	2,637.26	3,116.76	3,596.26	4,315.52
SSDC	Lovington (Cary Moor)	1,438.49	1,678.25	1,917.99	2,157.74	2,637.23	3,116.73	3,596.23	4,315.48
SSDC	North Barrow (Cary Moor)	1,438.49	1,678.26	1,918.00	2,157.75	2,637.24	3,116.75	3,596.24	4,315.50
SSDC	South Barrow (Cary Moor)	1,438.49	1,678.26	1,918.00	2,157.75	2,637.24	3,116.75	3,596.24	4,315.50
SSDC	Castle Cary	1,582.68	1,846.48	2,110.25	2,374.04	2,901.60	3,429.17	3,956.72	4,748.08
SSDC	Chaffcombe	1,422.73	1,659.87	1,896.98	2,134.11	2,608.35	3,082.60	3,556.84	4,268.22
SSDC	Chard Town	1,572.28	1,834.34	2,096.38	2,358.43	2,882.52	3,406.62	3,930.71	4,716.86
SSDC	Charlton Horethorne	1,426.60	1,664.38	1,902.14	2,139.91	2,615.44	3,090.98	3,566.51	4,279.82
SSDC	Charltons (The)	1,448.16	1,689.53	1,930.89	2,172.25	2,654.97	3,137.69	3,620.41	4,344.50
SSDC	Charlton Musgrove	1,429.51	1,667.78	1,906.02	2,144.28	2,620.78	3,097.29	3,573.79	4,288.56
SSDC	Chillington	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Chilthorne Domer	1,436.29	1,675.69	1,915.06	2,154.45	2,633.21	3,111.98	3,590.74	4,308.90
SSDC	Chilton Cantelo & Ashington	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Chiselborough	1,447.87	1,689.19	1,930.50	2,171.81	2,654.43	3,137.06	3,619.68	4,343.62
SSDC	Closworth	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Combe St. Nicholas	1,428.79	1,666.93	1,905.06	2,143.19	2,619.45	3,095.72	3,571.98	4,286.38
SSDC	Compton Dundon	1,498.88	1,748.71	1,998.51	2,248.33	2,747.95	3,247.59	3,747.21	4,496.66
SSDC	Compton Pauncefoot & Blackford	1,414.14	1,649.84	1,885.53	2,121.22	2,592.60	3,063.98	3,535.36	4,242.44
SSDC	Corton Denham	1,439.96	1,679.97	1,919.95	2,159.95	2,639.93	3,119.93	3,599.91	4,319.90
SSDC	Crewkerne Town	1,571.64	1,833.59	2,095.53	2,357.47	2,881.35	3,405.23	3,929.11	4,714.94
SSDC	Cricket St. Thomas	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Cucklington	1,426.50	1,664.26	1,902.01	2,139.76	2,615.26	3,090.76	3,566.26	4,279.52
SSDC	Cudworth	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Curry Mallet	1,447.52	1,688.79	1,930.03	2,171.29	2,653.79	3,136.31	3,618.81	4,342.58
SSDC	Curry Rivel	1,464.98	1,709.16	1,953.31	2,197.48	2,685.80	3,174.14	3,662.46	4,394.96
SSDC	Dinnington	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12

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Appendix 16B

SSDC	Donyatt	1,461.49	1,705.09	1,948.66	2,192.25	2,679.41	3,166.58	3,653.74	4,384.50
SSDC	Dowlsh Wake	1,424.83	1,662.32	1,899.78	2,137.26	2,612.20	3,087.15	3,562.09	4,274.52
SSDC	Drayton	1,440.23	1,680.28	1,920.31	2,160.35	2,640.42	3,120.50	3,600.58	4,320.70
SSDC	East Chinnock	1,440.97	1,681.15	1,921.30	2,161.47	2,641.79	3,122.12	3,602.44	4,322.94
SSDC	East Coker	1,465.03	1,709.21	1,953.38	2,197.55	2,685.89	3,174.24	3,662.58	4,395.10
SSDC	Fivehead & Swell	1,450.38	1,692.12	1,933.85	2,175.58	2,659.04	3,142.50	3,625.96	4,351.16
SSDC	Hambridge & Westport	1,483.67	1,730.97	1,978.24	2,225.52	2,720.07	3,214.64	3,709.19	4,451.04
SSDC	Hardington Mandeville	1,441.73	1,682.03	1,922.31	2,162.60	2,643.17	3,123.75	3,604.33	4,325.20
SSDC	Haselbury Plucknett	1,440.07	1,680.10	1,920.10	2,160.12	2,640.14	3,120.17	3,600.19	4,320.24
SSDC	Henstridge	1,475.75	1,721.72	1,967.67	2,213.63	2,705.54	3,197.46	3,689.38	4,427.26
SSDC	High Ham	1,470.94	1,716.11	1,961.26	2,206.42	2,696.73	3,187.05	3,677.36	4,412.84
SSDC	Hinton St. George	1,465.37	1,709.61	1,953.83	2,198.06	2,686.51	3,174.97	3,663.43	4,396.12
SSDC	Horsington	1,436.41	1,675.82	1,915.22	2,154.62	2,633.42	3,112.23	3,591.03	4,309.24
SSDC	Horton	1,435.85	1,675.17	1,914.47	2,153.78	2,632.39	3,111.01	3,589.63	4,307.56
SSDC	Huish Episcopi	1,461.50	1,705.10	1,948.67	2,192.26	2,679.42	3,166.60	3,653.76	4,384.52
SSDC	Ilchester	1,437.32	1,676.88	1,916.44	2,155.99	2,635.10	3,114.20	3,593.31	4,311.98
SSDC	Ilminster Town	1,563.82	1,824.47	2,085.10	2,345.74	2,867.01	3,388.29	3,909.56	4,691.48
SSDC	Ilton	1,512.05	1,764.08	2,016.08	2,268.09	2,772.10	3,276.13	3,780.14	4,536.18
SSDC	Isle Abbotts	1,473.45	1,719.04	1,964.61	2,210.19	2,701.34	3,192.50	3,683.64	4,420.38
SSDC	Isle Brewers	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Keinton Mandeville	1,433.90	1,672.90	1,911.87	2,150.86	2,628.82	3,106.80	3,584.76	4,301.72
SSDC	Kingsbury Episcopi	1,456.78	1,699.59	1,942.38	2,185.18	2,670.77	3,156.37	3,641.96	4,370.36
SSDC	Kingsdon	1,493.01	1,741.85	1,990.68	2,239.52	2,737.19	3,234.86	3,732.53	4,479.04
SSDC	Kingstone	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Kingweston	1,427.05	1,664.90	1,902.74	2,140.58	2,616.26	3,091.95	3,567.63	4,281.16
SSDC	Knowle St. Giles	1,416.38	1,652.46	1,888.51	2,124.58	2,596.70	3,068.84	3,540.96	4,249.16
SSDC	Langport	1,631.73	1,903.70	2,175.65	2,447.61	2,991.52	3,535.44	4,079.34	4,895.22
SSDC	Long Load	1,450.47	1,692.23	1,933.97	2,175.72	2,659.21	3,142.71	3,626.19	4,351.44

Appendix 16B

SSDC	Long Sutton	1,493.51	1,742.45	1,991.36	2,240.28	2,738.11	3,235.96	3,733.79	4,480.56
SSDC	Lopen	1,459.56	1,702.83	1,946.09	2,189.35	2,675.87	3,162.39	3,648.91	4,378.70
SSDC	Marston Magna	1,438.55	1,678.33	1,918.08	2,157.84	2,637.35	3,116.88	3,596.39	4,315.68
SSDC	Martock	1,587.67	1,852.30	2,116.90	2,381.52	2,910.74	3,439.97	3,969.19	4,763.04
SSDC	Merriott	1,446.08	1,687.11	1,928.11	2,169.13	2,651.15	3,133.19	3,615.21	4,338.26
SSDC	Milborne Port	1,497.28	1,746.84	1,996.38	2,245.93	2,745.02	3,244.12	3,743.21	4,491.86
SSDC	Misterton	1,444.95	1,685.79	1,926.61	2,167.44	2,649.09	3,130.75	3,612.39	4,334.88
SSDC	Montacute	1,511.77	1,763.75	2,015.70	2,267.67	2,771.59	3,275.52	3,779.44	4,535.34
SSDC	Muchelney	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Mudford	1,539.91	1,796.57	2,053.22	2,309.87	2,823.17	3,336.48	3,849.78	4,619.74
SSDC	North Cadbury	1,433.57	1,672.51	1,911.43	2,150.36	2,628.21	3,106.07	3,583.93	4,300.72
SSDC	Yarlington (North Cadbury)	1,433.56	1,672.50	1,911.42	2,150.35	2,628.20	3,106.06	3,583.91	4,300.70
SSDC	North Perrott	1,450.43	1,692.18	1,933.91	2,175.65	2,659.12	3,142.60	3,626.08	4,351.30
SSDC	Holton (North Vale)	1,422.29	1,659.36	1,896.40	2,133.45	2,607.54	3,081.65	3,555.74	4,266.90
SSDC	Maperton (North Vale)	1,422.29	1,659.36	1,896.40	2,133.45	2,607.54	3,081.65	3,555.74	4,266.90
SSDC	North Cheriton (North Vale)	1,435.44	1,674.69	1,913.93	2,153.17	2,631.65	3,110.13	3,588.61	4,306.34
SSDC	Norton sub Hamdon	1,496.64	1,746.09	1,995.53	2,244.97	2,743.85	3,242.73	3,741.61	4,489.94
SSDC	Odcombe	1,455.81	1,698.45	1,941.08	2,183.72	2,668.99	3,154.26	3,639.53	4,367.44
SSDC	Pen Selwood	1,428.45	1,666.53	1,904.60	2,142.68	2,618.83	3,094.98	3,571.13	4,285.36
SSDC	Pitcombe	1,431.15	1,669.69	1,908.21	2,146.74	2,623.79	3,100.85	3,577.89	4,293.48
SSDC	Pitney	1,426.23	1,663.94	1,901.64	2,139.35	2,614.76	3,090.17	3,565.58	4,278.70
SSDC	Puckington	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Queen Camel	1,450.83	1,692.64	1,934.44	2,176.25	2,659.86	3,143.47	3,627.08	4,352.50
SSDC	Rimpton	1,450.70	1,692.50	1,934.27	2,176.06	2,659.62	3,143.20	3,626.76	4,352.12
SSDC	Seavington St. Mary	1,511.19	1,763.07	2,014.93	2,266.80	2,770.53	3,274.27	3,777.99	4,533.60
SSDC	Seavington St. Michael	1,511.46	1,763.38	2,015.29	2,267.20	2,771.02	3,274.84	3,778.66	4,534.40
SSDC	Shepton Beauchamp	1,492.21	1,740.92	1,989.62	2,238.32	2,735.72	3,233.13	3,730.53	4,476.64
SSDC	Shepton Montague	1,446.01	1,687.02	1,928.02	2,169.02	2,651.02	3,133.03	3,615.03	4,338.04

Appendix 16B

SSDC	Somerton	1,599.59	1,866.20	2,132.79	2,399.39	2,932.58	3,465.78	3,998.98	4,798.78
SSDC	South Cadbury and Sutton Montis	1,436.42	1,675.84	1,915.23	2,154.64	2,633.44	3,112.26	3,591.06	4,309.28
SSDC	South Petherton	1,532.56	1,788.00	2,043.42	2,298.85	2,809.70	3,320.56	3,831.41	4,597.70
SSDC	Sparkford	1,440.02	1,680.04	1,920.03	2,160.04	2,640.04	3,120.06	3,600.06	4,320.08
SSDC	Stocklinch	1,437.49	1,677.08	1,916.66	2,156.24	2,635.40	3,114.57	3,593.73	4,312.48
SSDC	Stoke sub Hamdon	1,489.27	1,737.49	1,985.70	2,233.91	2,730.33	3,226.76	3,723.18	4,467.82
SSDC	Stoke Trister & Bayford	1,447.86	1,689.18	1,930.49	2,171.80	2,654.42	3,137.04	3,619.66	4,343.60
SSDC	Tatworth and Forton	1,447.63	1,688.91	1,930.18	2,171.45	2,653.99	3,136.54	3,619.08	4,342.90
SSDC	Tintinhull	1,496.79	1,746.26	1,995.72	2,245.19	2,744.12	3,243.05	3,741.98	4,490.38
SSDC	Wambrook	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Wayford	1,465.63	1,709.92	1,954.18	2,198.46	2,687.00	3,175.56	3,664.09	4,396.92
SSDC	West Camel	1,444.70	1,685.50	1,926.27	2,167.06	2,648.62	3,130.20	3,611.76	4,334.12
SSDC	West & Middle Chinnock	1,456.73	1,699.54	1,942.32	2,185.11	2,670.68	3,156.27	3,641.84	4,370.22
SSDC	West Coker	1,454.61	1,697.06	1,939.49	2,181.93	2,666.80	3,151.68	3,636.54	4,363.86
SSDC	West Crewkerne	1,424.39	1,661.80	1,899.19	2,136.59	2,611.38	3,086.18	3,560.98	4,273.18
SSDC	Whitelackington	1,447.22	1,688.44	1,929.63	2,170.84	2,653.24	3,135.66	3,618.06	4,341.68
SSDC	Whitestaunton	1,404.70	1,638.83	1,872.94	2,107.06	2,575.29	3,043.53	3,511.76	4,214.12
SSDC	Wincanton Town	1,535.19	1,791.06	2,046.92	2,302.79	2,814.52	3,326.25	3,837.98	4,605.58
SSDC	Winsham	1,460.03	1,703.38	1,946.71	2,190.05	2,676.72	3,163.40	3,650.08	4,380.10
SSDC	Yeovil Town	1,588.58	1,853.36	2,118.11	2,382.88	2,912.40	3,441.94	3,971.46	4,765.76
SSDC	Yeovil Without	1,432.45	1,671.21	1,909.94	2,148.69	2,626.17	3,103.66	3,581.14	4,297.38
SSDC	Yeovilton & District	1,421.94	1,658.94	1,895.93	2,132.92	2,606.90	3,080.88	3,554.86	4,265.84

Parish Councils, Town Councils, and Parish Meetings in the District have been advised of their individual Council Tax base figures and asked to supply their precept requirements for the financial year 2024/25. These precepts together are used to calculate Council Tax amounts for each parish to be added to the amounts for Somerset Council, Police Authority and Fire Authority.

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
MDC	Ashwick	553.95	15,015	27.11	543.70	23,000	42.30	15.19	56.03
MDC	Baltonsborough	450.56	17,000	37.73	447.85	20,000	44.66	6.93	18.37
MDC	Batcombe	209.60	9,925	47.35	212.78	10,075	47.35	0.00	0.00
MDC	Beckington	531.58	40,626	76.42	541.54	45,501	84.02	7.60	9.95
MDC	Berkley	115.11	3,000	26.06	116.88	4,000	34.22	8.16	31.31
MDC	Binegar	152.51	10,000	65.57	155.18	10,500	67.66	2.09	3.19
MDC	Buckland Dinham	186.73	10,258	54.93	186.37	10,258	55.04	0.11	0.20
MDC	Butleigh	414.57	16,000	38.59	416.37	19,000	45.63	7.04	18.24
MDC	Chewton Mendip	249.86	7,250	29.02	251.81	8,000	31.77	2.75	9.48
MDC	Chilcompton	896.82	36,000	40.14	903.17	41,000	45.40	5.26	13.10
MDC	Coleford	748.98	49,574	66.19	755.24	64,446	85.33	19.14	28.92
MDC	Cranmore	209.61	10,686	50.98	210.23	11,220	53.37	2.39	4.69
MDC	Croscombe	263.50	11,500	43.64	261.80	12,650	48.32	4.68	10.72
MDC	Ditcheat	326.18	11,733	35.97	332.77	16,000	48.08	12.11	33.67
MDC	Doultong	242.84	14,500	59.71	244.70	23,000	93.99	34.28	57.41
MDC	Downhead	39.94	1,000	25.04	44.31	1,500	33.85	8.81	35.18
MDC	East Pennard	153.04	2,800	18.30	154.95	3,500	22.59	4.29	23.44
MDC	Emborough	61.39	0	0.00	60.91	0	0.00	0.00	0.00

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
MDC	Evercreech	950.49	50,963	53.62	938.96	63,000	67.10	13.48	25.14
MDC	Frome	9,060.52	1,983,504	218.92	9,223.31	2,553,158	276.82	57.90	26.45
MDC	Glastonbury	3,254.62	650,924	200.00	3,241.87	960,000	296.13	96.13	48.07
MDC	Godney	93.83	10,498	111.88	94.36	13,807	146.32	34.44	30.78
MDC	Great Elm	81.22	0	0.00	81.81	0	0.00	0.00	0.00
MDC	Hemington	293.40	17,994	61.33	293.94	19,614	66.73	5.40	8.80
MDC	Holcombe	422.29	13,081	30.98	427.54	14,389	33.66	2.68	8.65
MDC	Kilmersdon	240.00	22,528	93.87	243.05	24,776	101.94	8.07	8.60
MDC	Lamyatt	91.54	0	0.00	93.90	0	0.00	0.00	0.00
MDC	Leigh on Mendip	223.42	11,865	53.11	225.14	13,645	60.61	7.50	14.12
MDC	Litton	119.80	5,000	41.74	118.84	7,000	58.90	17.16	41.11
MDC	Lullington	81.17	2,500	30.80	81.55	2,500	30.66	-0.14	-0.45
MDC	Lydford on Fosse	232.70	12,000	51.57	234.67	14,000	59.66	8.09	15.69
MDC	Meare	544.83	48,000	88.10	549.63	57,000	103.71	15.61	17.72
MDC	Mells	273.59	13,000	47.52	266.62	15,000	56.26	8.74	18.39
MDC	Milton Clevedon	38.15	0	0.00	39.78	0	0.00	0.00	0.00
MDC	North Wootton	149.45	4,666	31.22	145.40	5,710	39.27	8.05	25.78
MDC	Norton St Philip	511.90	53,212	103.95	520.09	54,747	105.26	1.31	1.26
MDC	Nunney	325.70	37,890	116.33	360.57	43,779	121.42	5.09	4.38
MDC	Pilton	489.41	17,100	34.94	490.55	25,990	52.98	18.04	51.63
MDC	Priddy	288.59	11,500	39.85	290.10	12,650	43.61	3.76	9.44
MDC	Pylle	71.38	0	0.00	70.49	0	0.00	0.00	0.00
MDC	Rode	508.61	24,990	49.13	510.57	30,000	58.76	9.63	19.60
MDC	Rodney Stoke	560.16	27,084	48.35	560.92	29,176	52.01	3.66	7.57

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
MDC	Selwood	391.72	7,000	17.87	395.97	11,000	27.78	9.91	55.46
MDC	Sharpham	21.03	0	0.00	22.10	0	0.00	0.00	0.00
MDC	Shepton Mallet	3,429.64	715,750	208.70	3,462.85	1,058,142	305.57	96.87	46.42
MDC	St Cuthbert Out	2,039.77	161,883	79.36	2,122.32	168,452	79.37	0.01	0.01
MDC	Stoke St Michael	368.21	27,276	74.08	376.37	28,731	76.34	2.26	3.05
MDC	Ston Easton	226.10	7,000	30.96	232.44	12,000	51.63	20.67	66.76
MDC	Stratton on the Fosse	274.82	17,850	64.95	274.93	17,850	64.93	-0.02	-0.03
MDC	Street	3,832.13	650,000	169.62	3,840.17	718,000	186.97	17.35	10.23
MDC	Tellisford	94.05	0	0.00	95.21	0.00	0.00	0.00	0.00
MDC	Trudoxhill	187.88	7,079	37.68	192.54	7,671	39.84	2.16	5.73
MDC	Upton Noble	66.85	0	0.00	68.46	0	0.00	0.00	0.00
MDC	Walton	457.91	35,837	78.26	464.07	38,910	83.84	5.58	7.13
MDC	Wanstrow	193.56	8,338	43.08	199.45	9,020	45.22	2.14	4.97
MDC	Wells	4,352.77	1,149,307	264.04	4,380.25	1,178,497	269.05	5.01	1.90
MDC	West Bradley	131.47	0	0.00	138.30	0	0.00	0.00	0.00
MDC	Westbury Sub Mendip	375.81	12,595	33.51	380.02	28,860	75.94	42.43	126.62
MDC	West Pennard	310.42	7,000	22.55	317.12	7,000	22.07	-0.48	-2.13
MDC	Whatley	128.49	7,500	58.37	129.27	7,924	61.30	2.93	5.02
MDC	Witham Friary	162.59	10,274	63.19	162.96	12,000	73.64	10.45	16.54
MDC	Wookey	486.96	47,180	96.89	485.16	49,683	102.41	5.52	5.70
SDC	Ashcott	467.20	20,495	43.87	476.56	23,785	49.91	6.04	13.77
SDC	Axbridge	714.41	111,000	155.37	726.12	131,000	180.41	25.04	16.12
SDC	Badgworth	232.12	9,880	42.56	237.56	14,386	60.56	18.00	42.29
SDC	Bawdrip	238.39	8,750	36.70	233.64	9,000	38.52	1.82	4.96

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
SDC	Berrow	627.34	74,887	119.37	618.64	85,415	138.07	18.70	15.67
SDC	Brean	254.73	11,178	43.88	252.12	15,582	61.80	17.92	40.84
SDC	Brent Knoll	578.36	50,620	87.52	580.19	60,000	103.41	15.89	18.16
SDC	Bridgwater	10,296.83	1,153,746	112.05	10,399.12	3,071,221	295.33	183.28	163.57
SDC	Bridgwater Without	1,061.10	42,444	40.00	967.56	55,000	56.84	16.84	42.10
SDC	Broomfield	115.73	3,650	31.54	112.56	3,869	34.37	2.83	8.97
SDC	Burnham-on-Sea & Highbridge	6,619.03	768,500	116.10	6,644.64	952,901	143.41	27.31	23.52
SDC	Burnham Without	693.24	22,000	31.74	696.33	20,000	28.72	-3.02	-9.51
SDC	Burtle	156.50	4,400	28.12	157.38	4,400	27.96	-0.16	-0.57
SDC	Cannington	793.20	40,000	50.43	809.27	50,000	61.78	11.35	22.51
SDC	Catcott	242.99	9,500	39.10	239.21	10,450	43.69	4.59	11.74
SDC	Chapel Allerton	190.36	6,500	34.15	190.84	7,800	40.87	6.72	19.68
SDC	Cheddar	2,434.32	261,401	107.38	2,521.35	281,892	111.80	4.42	4.12
SDC	Chedzoy	168.70	8,692	51.52	168.15	10,000	59.47	7.95	15.43
SDC	Chilton Polden	305.74	6,756	22.10	303.54	6,752	22.24	0.14	0.63
SDC	Chilton Trinity	190.58	10,750	56.41	189.72	10,800	56.93	0.52	0.92
SDC	Compton Bishop	285.43	15,000	52.55	283.05	16,125	56.97	4.42	8.41
SDC	Cossington	289.60	11,000	37.98	286.95	12,000	41.82	3.84	10.11
SDC	Durleigh	227.21	10,615	46.72	229.86	13,760	59.86	13.14	28.13
SDC	East Brent	569.26	20,895	36.71	561.35	27,500	48.99	12.28	33.45
SDC	East Huntspill	447.88	34,272	76.52	471.95	38,500	81.58	5.06	6.61
SDC	Edington	168.48	7,500	44.52	169.56	10,000	58.98	14.46	32.48
SDC	Enmore	117.17	5,253	44.83	114.32	5,253	45.95	1.12	2.50

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
SDC	Fiddington	125.63	4,300	34.23	127.96	4,700	36.73	2.50	7.30
SDC	Goathurst	98.47	3,381	34.34	98.25	3,313	33.72	-0.62	-1.81
SDC	Greinton	69.96	0	0.00	70.25	700.00	9.96	9.96	100.00
SDC	Lympsham	374.46	26,000	69.43	372.07	32,000	86.01	16.58	23.88
SDC	Lyng	123.91	4,725	38.13	122.40	5,200	42.48	4.35	11.41
SDC	Mark	584.02	18,000	30.82	590.09	18,250	30.93	0.11	0.36
SDC	Middlezoy	282.20	15,800	55.99	288.83	18,200	63.01	7.02	12.54
SDC	Moorlinch	109.77	0	0.00	111.38	0	0.00	0.00	0.00
SDC	Nether Stowey	629.01	65,466	104.08	631.53	71,995	114.00	9.92	9.53
SDC	North Petherton	3,654.91	230,000	62.93	3,716.92	463,300	124.65	61.72	98.08
SDC	Othery	265.01	10,500	39.62	263.35	11,000	41.77	2.15	5.43
SDC	Otterhampton	310.53	26,000	83.73	310.43	26,000	83.75	0.02	0.02
SDC	Over Stowey	168.95	8,000	47.35	166.29	8,550	51.42	4.07	8.60
SDC	Pawlett	425.57	20,000	47.00	421.78	22,000	52.16	5.16	10.98
SDC	Puriton	810.23	64,500	79.61	860.42	80,000	92.98	13.37	16.79
SDC	Shapwick	203.80	11,000	53.97	205.45	13,500	65.71	11.74	21.75
SDC	Shipham	494.81	12,695	25.66	486.81	12,949	26.60	0.94	3.66
SDC	Spaxton	460.03	10,153	22.07	458.93	14,661	31.95	9.88	44.77
SDC	Stawell	175.37	5,250	29.94	173.18	6,500	37.53	7.59	25.35
SDC	Stockland Bristol	73.68	2,166	29.40	72.92	2,274	31.18	1.78	6.05
SDC	Thurloxtton	75.76	4,000	52.80	75.66	4,500	59.48	6.68	12.65
SDC	Weare	299.54	6,426	21.45	296.64	9,000	30.34	8.89	41.45
SDC	Wedmore	1,627.81	96,850	59.50	1,638.54	105,000	64.08	4.58	7.70
SDC	Wembdon	1,315.88	110,992	84.35	1,320.45	130,992	99.20	14.85	17.61

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
SDC	West Huntspill	515.82	21,000	40.71	553.51	31,000	56.01	15.30	37.58
SDC	Westonzoyland	678.93	24,441	36.00	681.21	27,558	40.45	4.45	12.36
SDC	Woolavington	767.16	47,000	61.26	793.48	52,000	65.53	4.27	6.97
SWT	Ash Priors	81.47	0	0.00	82.39	0	0.00	0.00	0.00
SWT	Ashbottle	93.96	2,300	24.48	98.30	2,300	23.40	-1.08	-4.41
SWT	Bathealton	83.17	1,200	14.43	87.75	1,500	17.09	2.66	18.43
SWT	Bicknoller	211.56	7,600	35.92	213.45	9,500	44.51	8.59	23.91
SWT	Bishops Hull	1,231.31	37,170	30.19	1,258.93	71,000	56.40	26.21	86.82
SWT	Bishops Lydeard/Cothelstone	1,236.65	67,595	54.66	1,283.70	82,410	64.20	9.54	17.45
SWT	Bradford on Tone	309.48	10,500	33.93	308.51	10,925	35.41	1.48	4.36
SWT	Brompton Ralph	103.66	4,369	42.15	105.64	4,675	44.25	2.10	4.98
SWT	Brompton Regis	227.22	5,750	25.31	230.27	5,750	24.97	-0.34	-1.34
SWT	Brushford	243.25	21,000	86.33	243.60	21,000	86.21	-0.12	-0.14
SWT	Burrowbridge	208.97	8,500	40.68	208.98	10,000	47.85	7.17	17.63
SWT	Carhampton	361.30	21,785	60.30	372.70	22,656	60.79	0.49	0.81
SWT	Cheddon Fitzpaine	140.04	9,262	66.14	153.98	13,605	88.36	22.22	33.60
SWT	Chipstable	137.25	3,250	23.68	139.70	3,500	25.05	1.37	5.79
SWT	Churchstanton	383.57	13,395	34.92	387.60	26,444	68.22	33.30	95.36
SWT	Clatworthy	40.64	1,000	24.61	40.42	1,000	24.74	0.13	0.53
SWT	Combe Florey	121.58	4,000	32.90	122.87	4,000	32.55	-0.35	-1.06
SWT	Corfe	141.25	5,775	40.88	141.92	11,550	81.38	40.50	99.07
SWT	Cotford St Luke	844.58	45,745	54.16	874.67	62,000	70.88	16.72	30.87
SWT	Creech St Michael	1,149.91	74,528	64.81	1,167.07	90,552	77.59	12.78	19.72
SWT	Crowcombe	235.81	12,300	52.16	241.33	14,000	58.01	5.85	11.22

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
SWT	Cutcombe	180.88	11,200	61.92	183.28	11,200	61.11	-0.81	-1.31
SWT	Dulverton	630.26	85,833	136.19	637.45	92,200	144.64	8.45	6.20
SWT	Dunster	478.11	28,000	58.56	494.69	38,000	76.82	18.26	31.18
SWT	Durston	55.92	1,678	30.00	58.02	2,030	34.99	4.99	16.63
SWT	East Quantoxhead	40.56	0	0.00	46.17	0	0.00	0.00	0.00
SWT	Elworthy	32.78	0	0.00	32.63	0	0.00	0.00	0.00
SWT	Exford	196.51	12,500	63.61	193.35	13,500	69.82	6.21	9.76
SWT	Exmoor	75.94	3,328	43.82	73.23	4,500	61.45	17.63	40.23
SWT	Exton	97.24	4,200	43.19	98.21	6,200	63.13	19.94	46.17
SWT	Fitzhead	122.69	5,500	44.83	126.83	13,738	108.32	63.49	141.62
SWT	Halse	151.93	4,100	26.99	150.99	8,200	54.31	27.32	101.22
SWT	Hatch Beauchamp	257.93	6,000	23.26	260.84	6,300	24.15	0.89	3.83
SWT	Holford	136.41	7,550	55.35	129.82	8,300	63.93	8.58	15.50
SWT	Huish Champflower	115.76	3,500	30.23	115.37	5,250	45.51	15.28	50.55
SWT	Kilve	189.67	8,600	45.34	190.50	11,153	58.55	13.21	29.14
SWT	Kingston St Mary	485.28	14,020	28.89	496.34	19,570	39.43	10.54	36.48
SWT	Langford Budville	242.71	8,690	35.80	240.59	9,816	40.80	5.00	13.97
SWT	Luccombe	69.67	3,500	50.24	71.41	3,650	51.11	0.87	1.73
SWT	Luxborough	101.01	2,990	29.60	99.85	4,859	48.66	19.06	64.39
SWT	Lydeard St Lawrence/Tolland	221.14	4,478	20.25	226.65	4,590	20.25	0.00	0.00
SWT	Milverton	588.64	31,500	53.51	592.54	50,200	84.72	31.21	58.33
SWT	Minehead	4,271.98	759,293	177.74	4,342.84	931,642	214.52	36.78	20.69
SWT	Monksilver	60.74	2,500	41.16	61.27	2,500	40.80	-0.36	-0.87
SWT	Neroche	247.16	11,000	44.51	249.33	16,000	64.17	19.66	44.17

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
SWT	Nettlecombe	95.81	2,300	24.01	95.87	2,415	25.19	1.18	4.91
SWT	North Curry	770.15	20,000	25.97	779.65	26,000	33.35	7.38	28.42
SWT	Norton Fitzwarren	1,309.76	38,000	29.01	1,344.31	41,637	30.97	1.96	6.76
SWT	Nynehead	178.66	6,725	37.64	181.95	8,617	47.36	9.72	25.82
SWT	Oake	327.47	7,600	23.21	333.89	15,000	44.92	21.71	93.54
SWT	Oare	37.91	0	0.00	38.79	0	0.00	0.00	0.00
SWT	Old Cleeve	685.24	31,850	46.48	687.62	37,000	53.81	7.33	15.77
SWT	Otterford	193.48	0	0.00	194.15	0	0.00	0.00	0.00
SWT	Pitminster	495.54	9,500	19.17	498.94	10,600	21.25	2.08	10.85
SWT	Porlock	684.46	81,687	119.35	698.30	93,940	134.53	15.18	12.72
SWT	Ruishton/Thornfalcon	583.78	37,000	63.38	584.38	40,000	68.45	5.07	8.00
SWT	Sampfords Arundel	134.92	7,500	55.59	134.73	7,500	55.67	0.08	0.14
SWT	Sampfords Brett	149.65	3,700	24.72	151.75	4,100	27.02	2.30	9.30
SWT	Selworthy and Minehead Without	231.58	12,000	51.82	234.81	14,500	61.75	9.93	19.16
SWT	Skilgate	51.91	0	0.00	50.54	0	0.00	0.00	0.00
SWT	Stawley	153.87	2,969	19.30	157.48	3,291	20.90	1.60	8.29
SWT	Stogumber	326.65	21,350	65.36	334.04	24,000	71.85	6.49	9.93
SWT	Stogursey	505.81	31,425	62.13	515.32	38,525	74.76	12.63	20.33
SWT	Stoke St Gregory	410.74	19,550	47.60	413.60	20,920	50.58	2.98	6.26
SWT	Stoke St Mary	215.40	5,500	25.53	212.62	11,000	51.74	26.21	102.66
SWT	Stringston	44.81	0	0.00	43.60	0	0.00	0.00	0.00
SWT	Taunton Town	19,276.13	2,114,000	109.67	19,728.07	5,904,630	299.30	189.63	172.91
SWT	Timberscombe	159.61	9,795	61.37	160.05	10,256	64.08	2.71	4.42

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
SWT	Treborough	28.96	0	0.00	29.83	0	0.00	0	0.00
SWT	Trull	977.79	33,000	33.75	1,026.44	36,000	35.07	1.32	3.91
SWT	Upton	79.03	300	3.80	78.55	1,000	12.73	8.93	235.00
SWT	Watchet	1,253.20	192,980	153.99	1,289.68	205,093	159.03	5.04	3.27
SWT	Wellington	5,508.96	466,332	84.65	5,685.33	945,392	166.29	81.64	96.44
SWT	Wellington Without	309.86	8,000	25.82	312.10	8,500	27.23	1.41	5.46
SWT	West Bagborough	174.79	3,500	20.02	176.72	7,000	39.61	19.59	97.85
SWT	West Buckland	444.04	10,888	24.52	447.61	11,782	26.32	1.80	7.34
SWT	West Hatch	130.95	3,350	25.58	134.57	4,700	34.93	9.35	36.55
SWT	West Monkton	2,183.16	121,710	55.75	2,204.40	172,995	78.48	22.73	40.77
SWT	West Quantoxhead	168.81	3,125	18.51	168.46	4,375	25.97	7.46	40.30
SWT	Williton	945.64	112,000	118.44	972.66	163,000	167.58	49.14	41.49
SWT	Winsford	166.50	7,500	45.05	163.75	9,770	59.66	14.61	32.43
SWT	Withycombe	123.55	9,000	72.85	124.35	8,500	68.36	-4.49	-6.16
SWT	Withypool and Hawkridge	119.88	3,500	29.20	118.72	7000	58.96	29.76	101.92
SWT	Wiveliscombe	1,195.33	54,500	45.59	1,255.44	70,000	55.76	10.17	22.31
SWT	Wootton Courtenay	166.36	5,600	33.66	164.65	6,000	36.44	2.78	8.26
SSDC	Abbas and Templecombe	591.80	31,705	53.57	604.57	34,000	56.24	2.67	4.98
SSDC	Aller	170.43	11,470	67.30	170.38	12,900	75.71	8.41	12.50
SSDC	Ansford	567.48	46,432	81.82	607.87	50,730	83.46	1.64	2.00
SSDC	Ash	272.86	43,723	160.24	278.52	50,900	182.75	22.51	14.05
SSDC	Ashill	251.94	6,708	26.63	255.26	7,580	29.70	3.07	11.53
SSDC	Babcary	120.03	4,317	35.97	123.28	4,656	37.77	1.80	5.00
SSDC	Barrington	204.06	20,171	98.85	206.34	21,180	102.65	3.80	3.84

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
SSDC	Barton St. David	237.32	10,651	44.88	241.97	11,000	45.46	0.58	1.29
SSDC	Barwick & Stoford	402.89	49,831	123.68	402.90	62,289	154.60	30.92	25.00
SSDC	Beercrocombe	66.06	1,660	25.13	65.91	1,860	28.22	3.09	12.30
SSDC	Bratton Seymour	54.94	0	0.00	55.60	0	0.00	0.00	0.00
SSDC	Brewham	202.44	4,000	19.76	204.49	4,400	21.52	1.76	8.91
SSDC	Broadway	356.60	10,500	29.44	362.15	31,400	86.70	57.26	194.50
SSDC	Bruton	975.12	160,616	164.71	982.47	181,675	184.92	20.21	12.27
SSDC	Brympton	2,822.34	74,319	26.33	2,916.09	80,565	27.63	1.30	4.94
SSDC	Buckland St. Mary	232.43	9,000	38.72	238.07	11,800	49.57	10.85	28.02
SSDC	Alford (Cary Moor)	44.78	1,847	41.25	47.12	2,389	50.70	9.45	22.91
SSDC	Lovington (Cary Moor)	95.78	3,950	41.24	95.95	4,863	50.68	9.44	22.89
SSDC	North Barrow (Cary Moor)	65.11	2,686	41.25	67.86	3,440	50.69	9.44	22.88
SSDC	South Barrow (Cary Moor)	76.77	3,167	41.25	78.08	3,958	50.69	9.44	22.88
SSDC	Castle Cary	851.11	201,350	236.57	873.24	229,142	262.40	25.83	10.92
SSDC	Chaffcombe	103.01	3,000	29.12	110.91	3,000	27.05	-2.07	-7.11
SSDC	Chard Town	4,479.45	775,334	173.09	4,582.00	1,151,765	251.37	78.28	45.23
SSDC	Charlton Horethorne	291.73	9,288	31.84	301.94	9,918	32.85	1.01	3.17
SSDC	Charltons (The)	438.47	24,000	54.74	434.60	28,330	65.19	10.45	19.09
SSDC	Charlton Musgrove	205.14	7,600	37.05	204.19	7,600	37.22	0.17	0.46
SSDC	Chillington	58.70	160	2.73	58.40	0.00	0.00	-2.73	-100.00
SSDC	Chilthorne Domer	200.00	9,500	47.50	200.47	9,500	47.39	-0.11	-0.23
SSDC	Chilton Cantelo & Ashington	49.30	0	0.00	48.32	0	0.00	0.00	0.00
SSDC	Chiselborough	149.79	8,000	53.41	146.71	9,500	64.75	11.34	21.23
SSDC	Closworth	92.69	0	0.00	92.69	0	0.00	0.00	0.00

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
SSDC	Combe St. Nicholas	602.13	20,000	33.22	608.96	22,000	36.13	2.91	8.76
SSDC	Compton Dundon	328.07	42,400	129.24	328.45	46,400	141.27	12.03	9.31
SSDC	Compton Pauncefoot & Blackford	88.05	1,850	21.01	88.28	1,250	14.16	-6.85	-32.60
SSDC	Corton Denham	120.40	4,850	40.28	122.89	6,500	52.89	12.61	31.31
SSDC	Crewkerne Town	2,518.38	527,656	209.52	2,546.69	637,714	250.41	40.89	19.52
SSDC	Cricket St. Thomas	39.81	0	0.00	40.88	0	0.00	0.00	0.00
SSDC	Cucklington	97.62	2,030	20.79	97.85	3,200	32.70	11.91	57.29
SSDC	Cudworth	30.97	0	0.00	29.55	0	0.00	0.00	0.00
SSDC	Curry Mallet	140.56	7,298	51.92	137.60	8,838	64.23	12.31	23.71
SSDC	Curry Rivel	977.47	61,500	62.92	989.85	89,500	90.42	27.50	43.71
SSDC	Dinnington	29.99	0	0.00	31.29	0	0.00	0.00	0.00
SSDC	Donyatt	166.35	11,600	69.73	169.77	14,463	85.19	15.46	22.17
SSDC	Dowlish Wake	136.65	4,000	29.27	139.05	4,200	30.20	0.93	3.18
SSDC	Drayton	184.04	8,785	47.73	189.57	10,103	53.29	5.56	11.65
SSDC	East Chinnock	227.22	11,356	49.98	229.74	12,500	54.41	4.43	8.86
SSDC	East Coker	819.73	68,325	83.35	830.58	75,160	90.49	7.14	8.57
SSDC	Fivehead & Swell	269.30	18,095	67.19	277.28	18,999	68.52	1.33	1.98
SSDC	Hambridge & Westport	214.85	18,150	84.48	218.42	25,873	118.46	33.98	40.22
SSDC	Hardington Mandeville	284.61	14,460	50.81	288.07	16,000	55.54	4.73	9.31
SSDC	Haselbury Plucknett	290.01	14,875	51.29	294.33	15,618	53.06	1.77	3.45
SSDC	Henstridge	690.06	73,447	106.44	689.40	73,470	106.57	0.13	0.12
SSDC	High Ham	417.11	26,000	62.33	420.18	41,750	99.36	37.03	59.41
SSDC	Hinton St. George	233.39	19,511	83.60	235.84	21,462	91.00	7.40	8.85

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
SSDC	Horsington	297.17	12,980	43.68	300.22	14,278	47.56	3.88	8.88
SSDC	Horton	335.83	14,000	41.69	342.45	16,000	46.72	5.03	12.07
SSDC	Huish Episcopi	1,022.48	73,325	71.71	1,035.26	88,200	85.20	13.49	18.81
SSDC	Ilchester	695.40	31,900	45.87	752.15	35,090	46.65	0.78	1.70
SSDC	Ilminster Town	2,090.86	379,231	181.38	2,123.77	506,911	238.68	57.30	31.59
SSDC	Ilton	344.59	26,000	75.45	341.55	55,000	161.03	85.58	113.43
SSDC	Isle Abbots	89.21	6,000	67.26	89.67	9,248	103.13	35.87	53.33
SSDC	Isle Brewers	65.04	0	0.00	65.92	0	0.00	0.00	0.00
SSDC	Keinton Mandeville	493.08	20,280	41.13	497.78	21,804	43.80	2.67	6.49
SSDC	Kingsbury Episcopi	582.15	44,000	75.58	585.77	45,760	78.12	2.54	3.36
SSDC	Kingsdon	179.83	21,000	116.78	188.74	25,000	132.46	15.68	13.43
SSDC	Kingstone	55.26	0	0.00	57.00	0	0.00	0.00	0.00
SSDC	Kingweston	30.40	1,000	32.89	29.83	1,000	33.52	0.63	1.92
SSDC	Knowle St. Giles	81.88	1,450	17.71	82.76	1,450	17.52	-0.19	-1.07
SSDC	Langport	330.06	107,285	325.05	337.09	114,795	340.55	15.50	4.77
SSDC	Long Load	142.24	9,544	67.10	145.95	10,021	68.66	1.56	2.32
SSDC	Long Sutton	394.98	28,795	72.90	398.73	53,120	133.22	60.32	82.74
SSDC	Lopen	116.87	7,265	62.16	116.27	9,568	82.29	20.13	32.38
SSDC	Marston Magna	203.46	9,765	47.99	205.78	10,449	50.78	2.79	5.81
SSDC	Martock	1,739.30	432,057	248.41	1,767.92	485,219	274.46	26.05	10.49
SSDC	Merriott	749.59	48,000	64.04	773.33	48,000	62.07	-1.97	-3.08
SSDC	Milborne Port	1,176.96	132,705	112.75	1,198.29	166,411	138.87	26.12	23.17
SSDC	Misterton	391.86	23,660	60.38	393.08	23,734	60.38	0.00	0.00
SSDC	Montacute	256.33	35,000	136.54	258.97	41,593	160.61	24.07	17.63

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
SSDC	Muchelney	86.38	0	0.00	86.65	0	0.00	0.00	0.00
SSDC	Mudford	287.29	46,705	162.57	286.47	58,100	202.81	40.24	24.75
SSDC	North Cadbury	453.06	15,584	34.40	462.16	20,011	43.30	8.90	25.87
SSDC	Yarlington (North Cadbury)	64.42	2,216	34.40	65.58	2,839	43.29	8.89	25.84
SSDC	North Perrott	126.86	6,160	48.56	128.41	8,808	68.59	20.03	41.25
SSDC	Holton (North Vale)	124.61	3,178	25.50	124.96	3,298	26.39	0.89	3.49
SSDC	Maperton (North Vale)	61.51	1,489	24.21	63.36	1,672	26.39	2.18	9.00
SSDC	North Cheriton (North Vale)	105.70	4,333	40.99	105.20	4,851	46.11	5.12	12.49
SSDC	Norton sub Hamdon	325.27	27,450	84.39	326.30	45,000	137.91	53.52	63.42
SSDC	Odcombe	291.67	21,708	74.43	297.34	22,793	76.66	2.23	3.00
SSDC	Pen Selwood	163.39	6,202	37.96	174.14	6,202	35.62	-2.34	-6.16
SSDC	Pitcombe	190.38	7,291	38.30	202.12	8,020	39.68	1.38	3.60
SSDC	Pitney	184.92	4,300	23.25	183.95	5,940	32.29	9.04	38.88
SSDC	Puckington	52.92	0	0.00	53.92	0	0.00	0.00	0.00
SSDC	Queen Camel	340.31	20,000	58.77	346.87	24,000	69.19	10.42	17.73
SSDC	Rimpton	118.09	6,760	57.24	117.57	8,112	69.00	11.76	20.55
SSDC	Seavington St. Mary	172.95	16,735	96.76	174.64	27,897	159.74	62.98	65.09
SSDC	Seavington St. Michael	59.58	5,765	96.76	60.01	9,610	160.14	63.38	65.50
SSDC	Shepton Beauchamp	304.83	28,500	93.49	304.74	40,000	131.26	37.77	40.40
SSDC	Shepton Montague	98.85	3,000	30.35	96.83	6,000	61.96	31.61	104.15
SSDC	Somerton	2,109.53	549,902	260.68	2,140.03	625,592	292.33	31.65	12.14
SSDC	South Cadbury and Sutton Montis	164.41	6,000	36.49	166.05	7,900	47.58	11.09	30.39
SSDC	South Petherton	1,518.69	241,500	159.02	1,552.18	297,700	191.79	32.77	20.61

Appendix 16C

Legacy Council	Parish/Town Council	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	precept	Council Tax Band D	tax base	precept	Council Tax Band D		
		£	£	£ p	£	£	£ p		
SSDC	Sparkford	353.05	11,200	31.72	364.41	19,306	52.98	21.26	67.02
SSDC	Stocklinch	60.96	3,000	49.21	61.00	3,000	49.18	-0.03	-0.06
SSDC	Stoke sub Hamdon	740.75	85,063	114.83	766.88	97,281	126.85	12.02	10.47
SSDC	Stoke Trister & Bayford	170.25	10,000	58.74	169.90	11,000	64.74	6.00	10.21
SSDC	Tatworth and Forton	998.12	49,800	49.89	1,009.42	65,000	64.39	14.50	29.06
SSDC	Tintinhull	357.90	45,000	125.73	359.45	49,650	138.13	12.40	9.86
SSDC	Wambrook	93.10	0	0.00	95.48	0	0.00	0.00	0.00
SSDC	Wayford	51.47	3,400	66.06	53.79	3,600	66.93	0.87	1.32
SSDC	West Camel	188.29	11,297	60.00	187.01	11,220	60.00	0.00	0.00
SSDC	West & Middle Chinnock	248.00	16,500	66.53	249.84	19,500	78.05	11.52	17.32
SSDC	West Coker	870.05	62,000	71.26	888.20	66,500	74.87	3.61	5.07
SSDC	West Crewkerne	222.56	6,571	29.52	225.36	6,655	29.53	0.01	0.03
SSDC	Whitelackington	74.40	520	6.99	78.40	5,000	63.78	56.79	812.45
SSDC	Whitestaunton	117.90	0	0.00	117.96	0	0.00	0.00	0.00
SSDC	Wincanton Town	2,219.46	406,294	183.06	2,259.97	442,352	195.73	12.67	6.92
SSDC	Winsham	304.25	23,042	75.73	306.07	25,400	82.99	7.26	9.59
SSDC	Yeovil Town	9,203.55	1,335,693	145.13	9,199.49	2,537,412	275.82	130.69	90.05
SSDC	Yeovil Without	3,135.83	132,934	42.39	3,356.58	139,734	41.63	-0.76	-1.79
SSDC	Yeovilton & District	265.87	6,251	23.51	279.72	7,234	25.86	2.35	10.00
		205,674.09	21,799,841.60	105.99	208,797.71	33,168,846.58	158.86	52.87	49.88

Special Expenses

Page 492

	Parish	2023/24			2024/25			Council Tax Change £	Council Tax Change %
		tax base	Special Expense	Council Tax Band D	tax base	Special Expense	Council Tax Band D		
		£	£	£ p	£	£	£ p		
MDC	Ashwick	553.95	2,569.38	4.64	543.70	2,697.98	4.96	0.32	6.90
MDC	Croscombe	263.50	3,293.75	12.50	261.80	3,260.00	12.45	-0.05	-0.40
MDC	Evercreech	950.49	4,349.44	4.58	938.96	5,594.98	5.96	1.38	30.13
MDC	Frome	9,060.52	37,305.45	4.12	9,223.31	39,210.60	4.25	0.13	3.16
MDC	Glastonbury	3,254.62	35,253.61	10.83	3,241.87	37,053.98	11.43	0.60	5.54
MDC	Godney	93.83	1,172.88	12.50	94.36	1,175.00	12.45	-0.05	-0.40
MDC	Leigh on Mendip	223.42	458.22	2.05	225.14	485.81	2.16	0.11	5.37
MDC	Meare	544.83	5,534.80	10.16	549.63	5,811.83	10.57	0.41	4.04
MDC	Nunney	325.70	3,960.12	12.16	360.57	4,323.90	11.99	-0.17	-1.40
MDC	Pilton	489.41	5,623.79	11.49	490.55	6,108.38	12.45	0.96	8.36
MDC	Rode	508.61	1,706.80	3.36	510.57	1,792.22	3.51	0.15	4.46
MDC	Rodney Stoke	560.16	3,046.90	5.44	560.92	3,426.40	6.11	0.67	12.32
MDC	Shepton Mallet	3,429.64	15,452.31	4.51	3,462.85	16,225.72	4.69	0.18	3.99
MDC	Street	3,832.13	47,812.73	12.48	3,840.17	47,818.50	12.45	-0.03	-0.24
MDC	Tellisford	94.05	637.37	6.78	95.21	755.73	7.94	1.16	17.11
MDC	Trudoxhill	187.88	1,252.26	6.67	192.54	2,147.53	11.15	4.48	67.17
MDC	Walton	457.91	2,573.83	5.62	464.07	2,698.06	5.81	0.19	3.38
MDC	Wells	4,352.77	41,294.62	9.49	4,380.25	43,355.22	9.90	0.41	4.32
SSDC	Castle Cary (All Saints Churchyard)	851.11	3,916.00	4.60	873.24	4,002.00	4.58	-0.02	-0.43
SSDC	Ilchester (St Mary Major Churchyard)	695.40	1,593.00	2.29	752.15	1,717.00	2.28	-0.01	-0.44

SSDC	Wayford (St Michaels Churchyard)	51.47	1,264.00	24.56	■	53.79	1,316.00	24.47	■	-0.09	-0.37
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Somerset Council - Exceptional Financial Support – Updated application February 2024

Following from our previous application for Exceptional Financial Support and your email of 8 February 2024, set out below is our updated request for a capitalisation direction to balance the 2024/25 budget and to support to enable a significant reduction in our workforce.

It is likely we will need to make a more significant application for support in 2025/26 to balance the budget.

Background

Somerset Council is a new council formed on 1 April 2023 from the previous four District Councils and the County Council. At the Full Council meeting on 20 December 2023, the Council resolved to formally request a capitalisation direction from DLUHC in order to set the 2024/25 budget and avoid a Section 114 Notice.

The application was made on 11 January 2024 for £77.9m, with £37.9m to balance the 2024/25 budget and £40m for the planned reduction in workforce. If the request for an additional 5% on council tax was approved, then this would be reduced to £60.8m (£20.8m + £40m).

DLUHC confirmed on 5 February 2024 that the request to be given flexibility set out in the provisional finance settlement to increase council tax in 2024-25 beyond national limits, without a referendum, was not approved.

Creating a Financially Sustainable Council

Somerset has recognised its financial challenges early and implemented a range of actions to help address the situation, and to try to create a financially sustainable council over the medium term.

The range of actions taken are based upon **operating as if a section 114 notice had been issued**, as well as developing longer-term solutions. The actions taken include:

- **Financial Reporting** – There has been regular reporting throughout the year covering the 2022/23 outturn, budget monitoring and the 2024/25 budget. From the Quarter 1 report in July 2023, there has been monthly budget monitoring reports to both Scrutiny and the Executive.
- **Outstanding Accounts** - As well as having the challenge of being a new council in April 2023 and having to produce the 2022/23 statement of accounts for five predecessor councils and the Somerset Pension Fund, it inherited some

outstanding accounts for 2020/21 and 2021/22. The backlog has been addressed with only two of the former District Council accounts for 2022/23 outstanding and these are expected to be completed in March 2024.

- **Financial Control Boards Panels** – Five boards and panels have been established to review and challenge spending decisions. They are:
 - Establishment & Recruitment Control Board - to assess all workforce requests and changes.
 - Commercial & Procurement Control Board – to review and challenge all new commissions, annual uplifts in contract and contract renewals.
 - Spend Control Board – ensuring that all purchases over £100 are reviewed and challenged to avoid any non-essential spend.
 - Adult Social Care Panel – to review and challenge placements.
 - Childrens Care Panels – various panels to review and challenge placements.
- **In year Overspend** – Actions have been taken to address the 2023/24 forecast overspend which was £28.6m in Month 3. The actions have seen this reduced £11.1 down to £17.5m which represents an overspend of 3.2% against the net budget.
- **Adults** – Engaging Newton Europe to carry out a diagnostic review of the service and delivering of £10m savings from the transformation programme “My Life, My Future”. The programme is aimed at reducing costs on an ongoing basis by reducing the number of residential placements. There has been a series of deep dive sessions on the Adults’ budget using John Jackson (LGA national expert), PDLB Financial Consultancy Ltd and Newton Europe.
- **Childrens Service** - Childrens have commissioned Peopletoo to undertake a review of spend in Children’s Social Care to determine a plan for better outcomes at a reduced cost from using best practice. A more detailed financial demand model has been developed incorporating the latest forecasts and cost modelling on placements. To review and challenge these assumptions there has been a series of deep dive sessions on them using Peopletoo and PDLB Financial Consultancy Ltd. Edge Public Solution have reviewed school transport operations comprising both mainstream home-to-school transport and SEND transport.
- **Business Rates** – The income for business rates has been reviewed and challenged by LG Futures and the appeals provision has been increased to a more prudent level to account for appeals against the latest revaluations. The appeals provision has been reviewed by Analyse Local.
- **Council Tax** – Ensuring that the Council maximises its income by increasing council tax by the maximum allowed. The Council has also put in place a modern banded Council Tax Reduction scheme for the current year which has been reviewed and uprated for 2024/25. The inherited provision for bad debts has

been reviewed and increased to a more realistic and prudent level in line with comparator councils.

- **Reserves** – A detailed review of reserves has been undertaken to ensure that General reserves are within a risk-based assessment level and some Earmarked Reserves have been repurposed to support the budget. The outcomes of the review have been:
 - A transfer between the Earmarked Reserves to General Reserves of £23.1m to ensure that they remain within the range of a minimum of £30m and maximum of £50m agreed by Council in February 2023 when the budget was set.
 - Setting up a Budget Delivery reserve of £2.5m to cover the costs associated with the delivery of the savings contained within the budget proposals and any delays in delivery of them.
 - Setting up a Reserve for Devolution of Assets & Services – Overhead Costs of £0.6m to support the devolution of services and assets to City, Town & Parish Councils.
 - Repurposing of various Earmarked Reserves to create a MTFP Support Reserve of £36.8m which is being used to support the 2024/25 budget.
- **Minimum Revenue Provision (MRP)** - a new policy for Somerset Council which reflects the latest DLUHC guidance and comments from the external auditor Grant Thornton on predecessor accounts. The MRP budget for 2024/25 has been increased by £4.7m, based upon the new policy of 2.5% of CFR.
- **Financial Resilience** – As a new council there is a lack of comparative data available. This is also true of the DLUHC Office for Local Government (Oflog) website. Using published draft accounts from 2022/23 an independent balance sheet review was undertaken by a specialist consultancy. This compared the new Council to statistical neighbours and the results presented to the Audit Committee on 25 January 2024. It did not highlight any significant areas of concern.
- **Savings** – Identification of £35m of savings for 2024/25 that have been subject to consultation with the public and business sector. The savings proposals over and above those made possible by local government reorganisation, with difficult and unpalatable decisions on non-statutory services.
- **Service & Asset Devolution** – Development of proposals for devolution of assets and services to Parish/Town/City Councils.
- **Disposal of the Commercial Investment Portfolio** - The Council has made a policy decision to dispose of the inherited commercial investment portfolio and the Investment Sub Committee has been set up to oversee this. Jones Lang LaSalle (JLL) have been appointed to review the portfolio and assist with its disposal. The MTFP has therefore factored this into the budget proposals based

upon the forecast by JLL and the 2023/24 budgeted income from the investments of £20.6m has been reduced in 2024/25 and fully removed by 2026/27.

- **Disposal of Assets** – The Executive has tasked the Asset Management Group with developing a clear pipeline of assets disposals.
- **Capital Programme** – A detailed review of all the schemes in the current capital programme with the result being the removal of 26 schemes totalling £56.3m. The proposed 2024/25 – 2026/27 general fund capital programme totals £238.5m and comprises externally funded schemes, those essential for health and safety purposes or to deliver future savings, with a reduced borrowing requirement of £44.5m over the three years. The capitalisation direction for 2024/25 will be fully financed from capital receipts from the disposal of the commercial investments portfolio and other assets.
- **Dedicated Schools Grant (DSG) Deficit** – There is ongoing work with CIPFA to update the Deficit Management Plan (DMP) and reduce down the forecast in year overspends.
- **Housing Revenue Account (HRA)** – Review of the budget and 30 year plan by Altair (external housing consultant) including undertaking a number of scenarios and sensitivity tests. As a result of this a revised more financially sustainable 30-year plan has been developed.
- **Future Opportunities** - Actively engaging in ongoing and new opportunities for education, training and employment through supporting delivery of Hinkley C, Gravity site and the aerospace/defence industries in Somerset.
- **Re-sizing of the Council** - Significant reduction in size of workforce to create a slimmer, more agile Council with fewer office bases. It is estimated this will deliver £20m to £30m of on-going savings, in addition to the those in the Local Government Reorganisation Business Case of £18.5m over three years. The one-off costs of this are estimated to be around £40m.

Balancing the budget

The table below provides a summary of the 2024/25 budget position reflecting the final proposals from the Executive meeting on 7 February that will be considered by Council on 20 February. It shows the changes from the 2023/24 budget to the 2024/25 budget, including the use of £44.5m of one-off items to balance budget.

Changes to 2023/24 budget	£m
Reversals for once off items	19.9
Pressures	109.9
Savings	(35.0)
Changes to pay	13.8
Increase in financing costs	12.9
Increase in funding	(40.1)
Budget gap	81.4
One off items – to balance budget	
Use of Medium-Term Financial Plan Support Reserve	(36.8)
Council Tax Collection Fund surplus	(6.2)
Business Rates Collection Fund surplus	(1.5)
Remaining budget gap	36.9
Capitalisation Direction from DLUHC	(36.9)
Balanced position	0.0

The full details of this are set out in the 2024/25 Revenue Budget report to the 20 February 2024 Council meeting.

The Capitalisation Direction request is a reduction of £1m from our previous application and reflects changes following the final finance settlement, finalisation of savings proposals following public consultation, reduction of commercial investments income and updated Business Rates figures following completion of NNDR1. Details are in the table below:

Changes to Capitalisation Direction request	£m
Previous Capitalisation Direction request to balance the budget	37.9
Additional funding following final finance settlement – Social Care Grant	(5.2)
Additional Funding following final finance settlement – Rural Services Delivery Grant	(0.5)
Updated to budget following consultation with business, public and scrutiny	0.1
Reduction in Commercial investment income (assuming sale of commercial investment portfolio as per Jones Lang LaSalle profile)	1.4
Reduction in Business Rates funding (following completion of NNDR1)	3.2
Updated Capitalisation Direction request	36.9

Future Years

The Section 151 Officers Section 25 Report to the 20 February 2024 Council, attached, highlights significant concerns over the 2025/26 financial year and the ability to balance the budget. The current estimated gap for 2025/26 is £103.9m which is higher than the forecast level of reserves of £74.9m.

Financial Overview	2024/25	2025/26	2026/27
	£m	£m	£m
Total Reserves	76.6	74.9	73.4
Dedicated Schools Grant (DSG) Deficit			(96.2)
Budget Gap (excluding Capitalisation Direction)	(36.9)	(103.9)	(147.8)
Reserves less Budget Gap	39.7	(29.0)	(170.6)

At our meetings you have made it very clear that you are only considering applications for capitalisation directions in respect of 2024/25, but I need to highlight that the Council is very likely to need support with 2025/26.

Summary

The updated Capitalisation Direction request is based upon the budget proposals being considered at Council on 20 February 2024. The request to balance the 2024/25 budget is for £36.9m.

As set out previously, the Council is trying to become financially sustainable, proposals for a significant reduction in the workforce are planned which are estimated to deliver on-going savings of £20m to £30m for 2025/26 (in addition to those in the LGR Business Case) and service efficiencies and reductions. The one-off costs of staff severance are estimated to be in the region of £40m. Further work is being undertaken to assess if some of these costs can be funded from the flexible use of capital receipts.

The total request for 2024/25 is £76.9m, with £36.9m to balance the 2024/25 budget and £40m for the planned reduction in workforce.

I understand from our discussions that final confirmation of our application will not be provided until late March 2024.

Jason Vaughan

Executive Director – Resources & Corporate Services (Section 151 Officer)

Somerset Council



A Fairer, Ambitious Somerset

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Somerset Council

Full Council
20 February 2024



Report of the Human Resources Committee: Pay Policy Statement - for decision

Chair: Councillor Theo Butt Phillip – Lead Member for Transformation and Human Resources

Lead Officer: Alyn Jones – Executive Director – Strategy, Workforce and Localities

Authors: Alyn Jones – Executive Director – Strategy, Workforce and Localities, Josh Barrett – Senior Democratic Services Officer

Contact Details: 01823 355917 – josh.barrett@somerset.gov.uk

1. Summary

1.1 The HR Committee forms a key part of the Council's constitutional arrangements which underpin the aims and delivery of the Somerset Council Plan. The committee exercises delegated authority from the Council in respect of the approval of the Council's HR policies. However, legislation requires the Pay Policy Statement (PPS) itself to be approved by Full Council. The PPS needs to be approved in time for implementation from the beginning of the financial year 24/25. The Committee also noted that the PPS will require in-year amendments to reflect the 2024/25 pay awards once agreed.

2. Recommendations

2.1 The HR Committee agreed to recommend that Full Council to approve the Pay Policy Statement (PPS) for 2024/25.

3. Background Papers and Appendices

1.3 Appendix 1 – Somerset Council Pay Policy Statement 24/25.

The Council's duty under Section 149 of the Equality Act 2010 is to have "due regard" to the matters set out in relation to equalities when considering and making decisions. There are no direct equality impacts associated with the proposed changes to Pay Policy Statement. There are also no direct impacts on sustainability, health and safety, community safety or privacy aspects as a result of the recommendations.

Somerset Council Pay Policy Statement 1st of April 2024

1. Purpose

This Pay Policy Statement (PPS) is provided in accordance with Section 38 (1) of the Localism Act 2011 and will be updated annually or in-year as required. It sets out Somerset Council's policies relating to the pay of its workforce (excluding schools' employees) for the year 2024-25; in particular, it includes:

- The methods by which salaries of all employees are determined.
- The remuneration of its Chief Officers.
- The remuneration of its lowest paid employees.
- The relationship between the remuneration of its Chief Executive and other officers.
- Other specific aspects of chief officer remuneration such as levels and elements of such remuneration, remuneration on recruitment, increases and additions to remuneration, termination payments, and transparency.

2. Scope

The PPS covers the following statutory roles at Somerset Council:

- a. The Chief Executive (Head of Paid Service)
- b. Executive Director – Resources and Corporate Services (Section 151 Officer)
- c. Service Director – Governance, Democratic, and Legal Services (Monitoring Officer)
- d. Executive Director - Children, Families, and Education
- e. Executive Director - Adult Services
- f. Executive Director - Public Health

And non-statutory roles:

- g. Executive Director – Strategy, Workforce, and Localities
- h. Executive Director – Community Services
- i. Executive Director – Climate and Place

And additionally;

- j. Service Directors and any other officer who reports or is directly accountable to the officers listed in (a) to (i) above (with the exception of officers reporting to the Service Director – Governance, Democratic, and Legal Services).

3. Definitions

For the purpose of the PPS the following definitions will apply:

- 3.1. The Localism Act (section 43) defines remuneration widely. In this policy ‘remuneration/pay’, in addition to salary includes charges, fees, allowances, benefits in kind, increases in or enhancements to pension entitlement and termination payments.
- 3.2. For the purposes of this statement, ‘Chief Officer’ refers to all the Council’s senior officers. These are collectively referred to as the Corporate Leadership Team (CLT). In addition, some Service Director posts fall within the legal definition of ‘deputy chief officer’.
- 3.3. The definition of ‘lowest paid employee’ is a fully competent employee undertaking a defined role and excludes apprentices who are undertaking approved training.

4. Accountability and decision making

- 4.1. In accordance with Part D.3 of the constitution of the council, the Human Resources (HR) Committee acts as the Council’s Remuneration Committee for Chief Officer pay (with the exception of the post of Monitoring Officer). In exercising this function, the HR Committee reviews at least on an annual basis the pay and grading structure of the Council (including CLT Officer grades and salaries) and makes recommendations for any changes considered necessary to Full Council by way of a revised PPS.
- 4.2. The PPS must be approved formally by Full Council each year by the end of March for the following financial year.
- 4.3. As outlined in Part I2 and I5 of the constitution of the Council, the Chief Executive as ‘Head of the Paid Service’, is responsible for the Council’s Corporate Leadership Team and supporting officer structures. The Chief Executive has authority to approve changes to the terms and conditions of all post specified in (b)-(j) above on the recommendation of the Appointments Panel or the Appointments Committee or on their own initiative and having obtained the agreement of the Leader of the Council. All decisions taken by the Chief Executive on such matters will be the subject of a formal Officer

Decision which will be published on the Council's website as soon as it is confirmed. -

4.4. Before making decisions in relation to the staffing structure or individual posts, the Chief Executive is required to consider:

- The views of the relevant Executive Member, the Chair of the HR Committee, and the Opposition Spokesperson, and as appropriate:
 - The outcome of job evaluation.
 - Any data/advice/evidence or views collated from appropriate sources, including: the Council's HR function; National and/or Regional Employers' Organisations; independent external pay data.
 - The needs of the business to recruit and retain senior officers.
 - The performance of individual CLT Officers.
 - The requirements of the PPS.
 - Fluctuations in the local and national job market.

5. Pay Principles

The key principles underpinning this PPS are:

Affordability – ensuring remuneration policies represent value-for-money for the taxpayer.

Fairness – ensuring remuneration policies are fair to all staff, ranging from the most senior post to the most junior post.

Meet Legislative Requirements – ensuring remuneration policies comply with all legal obligations, such as the Equal Pay Act

Market Facing – ensuring due regard is taken of the market, both nationally and locally in the Southwest, and that this policy is in-line with Councils of a similar size and / or in a similar labour market.

Tax Avoidance – ensuring that all remuneration arrangements comply fully with HMRC regulations.

6. Pay Data

The Council complies with Data Protection Act obligations and will only publish information about an individual officer's pay where it is required to do so by law.

In accordance with the Accounts and Audit (England) Regulations 2011 and the Local Government Transparency Code 2015, the Council publishes pay information about individual posts for the Chief Executive and CLT on its website and in the Annual Statement of Accounts. Only employees whose salaries are more than £150,000 must be named.

In relation to other senior officers of the Council, pay information is published on the Council's website relating to:

- Salaries of £50,000 or more by reference to total numbers within bands (grouped in bands of £5,000).

Details of remuneration and job titles of certain senior employees whose salary is at least £50,000 including role responsibilities (for example, the services and functions they are responsible for, budget held, and number of staff) and details of bonuses and 'benefits in kind', for all employees whose salary exceeds £50,000. The data detailed within the Pay Policy Statement reflects the pay award for 2023/24 as the 2024/25 pay award has not been agreed at the point of publishing this PPS.

7. Lowest Paid Employee

The lowest paid posts in the Council which include posts of Cleaner, Domestic Assistant, Distribution Assistant, and General Kitchen Assistant, are paid on national spinal point 2 with a salary of £22,366 as at 1st April 2023 (excluding the pay award for 2024-25)

8. Pay Multiples

The recommendation of the Hutton Report into "Fair Pay in the Public Sector", as recognised in the Local Government Transparency Code 2015, was that the Council should publish the pay ratio of the salary of the Chief Executive compared to the median average salary in the organisation.

The ratio of the pay of the new Council's median earner (£30,825) to that of its Chief Executive (£201,825) was 1:6.55 based on salaries at the end of November 2023.

Note: This figure excludes apprentices, casuals, and those on zero hours contracts.

9. Pay and Grading Structure

9.1. Grading and Job Evaluation

The grading structure reflects the need to continue to modernise, facilitate new ways of working, and ensure equal pay for work of equal value in a large and diverse organisation.

- Job evaluation is a consistent process used for determining the relative worth of jobs. The Council uses two schemes to evaluate jobs, covering virtually all employees, except centrally employed teachers and Soulbury staff, which are subject to national grading schemes. The Hay Scheme is used for the Chief Executive, CLT, and other senior/management posts from grade 8.
- The New Somerset Scheme, based on the Greater London Provincial Council scheme (formerly GLEA), is used for posts up to Grade 9. The relationship between pay at the lowest and highest levels is controlled by job evaluation. The job evaluation score is set within a pay structure and linked to the pay spinal column points which determines what posts are paid. The Greater London Provincial Scheme job families are used when matching roles.

9.2. Pay scales

- The Chief Executive and CLT pay, and cost of living progression is locally agreed and subject to annual review by the HR Committee.
- The Chief Executive current annual salary is £201,825 including the 2023/24 pay award.

9.2.1. Executive Director Pay Structure

The pay structure for Executive Directors has been agreed by the Appointments Panel for the posts, following benchmarking with other organisations and similar roles. Salaries are on a spot pay basis, within the following levels and are based on job evaluation outcomes and market comparisons.

- £129k - £150k (This includes 2023/2024 pay award)

9.2.2. Service Director Pay Structure

The following salary ranges have been agreed for Service Director posts, following benchmarking with other organisations and similar roles. These

include 2023/24 pay award. They will be made on a spot rate basis, in line with Job Evaluation scores for the level.

Service Director Grade	Salary Range
SD1	£115,000 - £118,000
SD2	£110,000 - £115,000
SD3	£100,000 - £105,000

9.2.3. Staff Below The Corporate Leadership Team Level

The Somerset Pay and Grading structure for staff below CLT and on Green Book terms and conditions incorporates National Pay Points up to spinal column point (scp) 38 and locally determined pay points above. The current pay and grading structure is shown as Appendix 1.

NJC for Local Government Services (Green Book) pay, terms and conditions apply to posts on Grades 17 to 4 inclusive. Annual pay awards are determined by national agreement. The 2024/25 pay award has not been agreed at this point of publishing this PPS.

Post holders on Grades 15 – 9 are eligible for annual incremental increases up the pay scale until they reach the top of their grade.

With effect from 1st April 2023 the lowest point on the NJC Green Book pay scale, spinal column point (SCP) 1 has been removed so the new lowest point will be SCP2. As an interim arrangement, Somerset Grade 17 will be merged with Grade 16 from this date and both grades will receive the spot salary aligned to national spinal column point 2, while a review of the Council's Green Book pay, and grading structure is undertaken.

Post holders on Grades 4 – 8 (Strategic and Service Managers) have some localised terms and conditions. Each Grade (4 – 8) has a fixed spot salary and there is no incremental progression.

Staff who have transferred into Somerset Council under TUPE regulations, may be subject to different pay scales.

10. Other pay arrangements for Chief Officers

10.1. Performance related pay and bonuses

The Council does not operate a performance-related pay scheme and does not pay a bonus to any Council employees.

10.2. Allowances

Allowances are paid in line with NJC terms and conditions (Green Book), or by local agreements where relevant.

Any allowances paid to The Chief Executive, Executive and Service Directors or CLT Officers are disclosed in the Annual Statement of Accounts.

10.3. Election payments

No additional payments are made by the Council for election duties. This statement does not affect Chief Officers who receive separate payments that are recoverable from central government and others for returning officer and deputy returning officer positions.

10.4. Professional subscriptions

- The Council does not pay fees and subscriptions payable by the Chief Executive, CLT Officers, and other employees to professional qualification bodies and local government-based societies and associations.
- Fees and subscriptions payable by the Chief Executive, CLT Officers and other employees, to associations that are inter-Council networking organisations (as distinct from subscriptions to professional bodies) should be reimbursed subject to individual cases being approved by the Chief Executive, Executive Director and Service Director – Workforce, in consultation with the relevant Executive Member.

10.5 Recruitment and Retention Allowances

- External recruitment and internal retention problems are tackled by temporarily increasing the total pay awarded to a post, when it can be shown that the pay on the evaluated grade is significantly lower than competitors' rates of pay.
- The payment of an allowance is temporary and will not be renewed if a review finds evidence that demonstrates the payment of the allowance is no longer justified.

- An allowance forms part of an employee's pay (all the salary, wages, fees, and other payments paid to them for their own use in respect of their employment) and as such is pensionable. An allowance is expressed as a cash lump sum, pro-rata to the contracted hours, and is not subject to annual cost of living/inflation pay awards.

Approval of recruitment and retention allowances in respect of:

- CLT posts (with the exception of the post of Chief Executive) shall be determined by the Chief Executive following consultation with the Leader of the Council and on the recommendation of the appropriate Appointments Panel in relation to new appointments.
- The post of Chief Executive will be agreed by Full Council.

11. Other Employment-Related Arrangements

11.1 Appointment of Agency Interims

- Where the Council is unable to permanently recruit officers at the most senior level, there could be a requirement for that substantive post to be covered by an interim appointment.
- The Council has various options to supply interims in adherence with relevant Procurement, Legal, and Financial Regulations.
- The Council has a requirement to assess the employment status of the interim prior to the recruitment of interims being approved. An interim's terms of employment and contract is direct with the supplier and not the Council.
- In respect of the appointment of interims to CLT. A business case to the Chief Executive will take into account:
 - Value-for-money for the taxpayer
 - The evaluated grade of the post to be covered
 - The public profile of the post
 - Risks to the Council
 - The labour market, both nationally and locally in the South West, for interims providing cover for similar posts in councils of a similar size.
- If the interim is below Chief Officer level and the proposed rate of pay is over £350 per day, the appointment will be subject to formal approval by the Resource Management Board (RMB) comprising the Executive Director Strategy, Workforce and Localities and Service Director Finance and

Procurement (deputy section 151 officer) and will be subject to review processes before extensions are agreed.

11.2 Pension

Subject to qualifying conditions, employees are eligible to join the Local Government Pension Scheme (LGPS). The Council has the ability to determine certain Local Government Pension Scheme Discretions. The Council's Pension Discretion Policy applies equally to the whole workforce and are subject to the approval of the HR Committee.

Employee pension contribution rates are defined by statute in accordance with the LGPS and employer contributions rates are set by Actuaries advising the Somerset Pension Fund and reviewed on a triennial basis to ensure the scheme is appropriately funded.

If the Council employs a Chief Officer already in receipt of a Local Government Pension Scheme pension, the Council will apply the normal pension abatement rules that apply to all employees (the combined pension and salary of their new post should not exceed the salary of their previous post).

A number of employees have transferred to the Council under a specific staff transfer arrangement which allowed them to continue membership of the NHS pension scheme. The Council makes contributions on their behalf and complies with Pension Legislation in respect of the NHS scheme.

11.3 Salary Protection

Protection will not apply to redeployed employees with less than two years local government service.

Salary protection arrangements for Chief Officers is one year frozen pay protection during which annual cost of living pay increases will be awarded. At the end of this period the substantive grade of the new post will be applicable.

Salary protection is in place to ease the financial implications on those being redeployed and does not extend beyond salary.

12. Termination payments

Chief Officers follow the same arrangements and policies for redundancy as applied to all other staff.

In exceptional circumstances to avoid or settle a claim or potential dispute, the Council may agree payment of a settlement sum on termination.

All cases must take account of all legal, financial, contractual, and other responsibilities.

A proposed financial settlement for an officer leaving the Council in excess of £100,000 must be agreed by a meeting of the Full Council, in accordance with the Localism Act 2011 and outlined in Part I5 para 3.3.4 of the constitution.

Aside from the provisions set out in Part I5 Officer Employment Procedures/Arrangements of the Council's constitution for the Chief Executive and CLT Officer posts, all other settlement payments on termination of the contract of a post require the approval of the relevant Senior Officer in line with HR Policy.

Appendix 1

Somerset Council Pay Scale April 2023						
SCP	Grade		Salary 01/04/23	Hourly 01/04/23	Rate	SCC Spot Points
1	17		N/A	N/A		
2	17	16	22,366	11.59		
3	15		22,737	11.79		
4	15	14	23,114	11.98		
5		14	23,500	12.18		
6	13	14	23,893	12.38		
7	13		24,294	12.59		
8	13		24,702	12.80		
9	13		25,119	13.02		
10	13		25,545	13.24		
11	13		25,979	13.47		
12		12	26,421	13.69		
13		12	26,873	13.93		
14		12	27,334	14.17		
15		12	27,803	14.41		
16		12	28,282	14.66		
17		12	28,770	14.91		
18		12	29,269	15.17		
19		12	29,777	15.43		
20	11		30,296	15.70		
21	11		30,825	15.98		
22	11		31,364	16.26		
23	11		32,076	16.63		
24	11		33,024	17.12		

25	11		33,945	17.59	
26		10	34,834	18.06	
27		10	35,745	18.53	
28		10	36,648	19.00	
29		10	37,336	19.35	
30		10	38,223	19.81	
31	9	10	39,186	20.31	
32	9		40,221	20.85	
33	9		41,418	21.47	
34	9		42,403	21.98	
35	9	8	43,421	22.51	
36		8	44,428	23.03	
37		8	45,441	23.55	
38		8	46,464	24.08	SCC Spot Point
39	7	8	47,536	24.64	
40	7		48,613	25.20	
41	7		49,744	25.78	
42	7		51,106	26.49	
43	7		52,090	27.00	SCC Spot Point
44	7		53,339	27.65	
45		6	54,618	28.31	
46		6	55,942	29.00	
47		6	57,279	29.69	
48		6	58,669	30.41	
49		6	60,087	31.14	
50		6	61,533	31.89	SCC Spot Point
51		5	76,261	39.53	SCC Spot Point
52		4	86,078	44.62	SCC Spot Point

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Somerset Council

Full Council
20 February 2024



Scheme of Members' Allowances 2024/25 - report and recommendations of the Independent Remuneration Panel

Lead Member: Councillor Bill Revans, Leader of the Council

Lead Officer: David Clark, Service Director – Governance, Democratic and Legal Services

Authors: Scott Wooldridge, Interim Head of Governance and Democratic Services

Contact Details: scott.wooldridge@somerset.gov.uk or 01823 35726

1. Summary

- 1.1 This report sets out the proposals in relation to the Members Allowances 2024/25 for the Somerset Council. The proposals have been developed in consultation with the Somerset Independent Remuneration Panel (“the Panel”) following their review of the proposed Scheme of Member’s Allowances 2024/25 which was carried out by the Panel from August 2023- December 2023.
- 1.2 The arrangements for determining allowances for elected members are set down in statutory regulations - the Local Authorities (Members’ Allowances) (England) Regulations 2003 (SI 1021) and subsequent amendments to the regulations (SI 2003/1022 and SI 2003/1692). Each local authority is required to appoint and maintain an Independent Panel to make recommendations to the Council on members’ allowances. The Council must have regard to the Panel’s recommendations before making decisions in relation to members’ allowances but doesn’t have to accept them. Where the Council doesn’t accept the Panel’s recommendations it should give reasons for not doing so.
- 1.3 All Members have a personal and prejudicial interest in the receipt of allowances, but the Council’s Code of Conduct includes a dispensation allowing members to attend relevant meetings and vote on this matter. This paragraph has the effect of declaring this interest by all Members at this meeting of Council. Members do not need therefore to make a verbal declaration at the Council meeting.

2. Recommendations

- 2.1 Council is recommended to:
- i. Thank the Panel for its report and recommendations set out in Appendix 1;
 - ii. Consider the Panel's recommendations prior to determining the Scheme of Members' Allowances 2024/25 and the draft Scheme of Members' Allowances 2024/25 (set out in Appendix 2);
 - iii. Authorise the Monitoring Officer to finalise and publish the Scheme of Members' Allowances 2024/25 to reflect the Council's decision.

3. Background

- 3.1 The Independent Remuneration Panel's responsibility is to review the Council's Scheme of Members Allowances. The Panel makes recommendations to Somerset Council to ensure that allowances are set at the appropriate level to undertake the elected member role and sufficiently attractive to all who would wish to serve as an elected member of Somerset Council.
- 3.2 In February 2023, the Panel recommended the Scheme of Members Allowances for 2023/24 to the former Somerset County Council ahead of vesting day to approve on behalf of the new Somerset Council. The Council adopted the Panel's recommendations and set the Basic Allowance as £15,500 for an elected member in 2023/24. The Council also adopted the Panel's recommendations for the Special Responsibility Allowances for various roles (Chair of Council, Leader of the Council, Chairs of various committees, etc).
- 3.3 In view of the new functions for Somerset Council, the Council asked the Panel to carry out a further review of member allowances in autumn 2023, including interviewing councillors regarding their workloads and time commitments in their new roles as unitary councillors. This work would be used to inform the Scheme of Members Allowances for 2024/25.
- 3.4 As part of its review, the Panel has :
- undertaken interviews and reviewed feedback from a number of elected members from across Somerset in a variety of roles with and without Special Responsibility Allowances
 - reviewed comparator data from peer councils which are similar to Somerset Council although none are identical, some of which have been established for some time to offer a useful insight into the roles of a unitary Councillor.
- 3.5 The Panel has completed the review and it's report is set out in Appendix 1. In making its recommendations, the Panel considered the impact of the reduction

in the number of councillors in the county from 324 to 110 and it also reviewed comparator data for similar unitary authorities (see table below).

Basic Allowance – Comparator information (Based on figures for 2023/2024)

Authority	Basic Allowance	Difference in allowance	Population	Number of Councillors
Buckinghamshire	£13,525	-£1,975	553,000	147
Cornwall	£17,681	+£2,181	561,350	87
North Yorkshire	£15,500	£0	615,491	90
Somerset	£15,500		569,400	110
Wiltshire	£15,869	+£369	510,300	98

3.6 The Panel recognises that the Council is still new in its form and function and further evolving. The Panel is aware that the Council declared a financial emergency in November 2023 and is facing significant financial and demand-led pressures in 2023/24 and 2024/25.

It was anticipated in early 2023 that there would be a significant increase in workload for the new unitary Councillors, given the full range of functions of the former County and four District Councils including education, social services, highways, planning, licensing and housing. Nevertheless even with the interviews and feedback from members, the Panel has found it difficult to identify any significant differences compared to peer councils and the assumptions used for the Scheme of Members Allowances in 2023/24.

The Panel recommends that the Basic Allowance for 2024/25 should continue to be set at £15,500 and be increased in-year at the same percentage increase as the average Somerset Council officer pay award for 2024/25.

3.7 The Panel has also reviewed the Special Responsibility Allowances for existing roles. From the interviews and feedback with members, the Panel has not been able to identify any significant changes to responsibilities for the roles receiving SRAs and therefore it does not propose any changes to the current SRAs for the Scheme of Members' Allowances for 2024/25. Nevertheless the Panel is aware that there is variation when compared to peer councils and would therefore recommend that a full review of Special Responsibility Allowances is undertaken in Autumn 2024 to inform the Scheme of Members Allowances for 2025/26.

- 3.8 The Panel acknowledged that the Council has created 18 Local Community Networks to act as a forum for community voice, engagement and influence. The Panel has reviewed evidence from members on the workloads and commitment arising from the Local Community Networks and at this stage does not recommend any Special Responsibility Allowances for members. The Panel advises that should the Council delegate significant functions, responsibilities and budgets to the Local Community Networks then it would review its recommendations.
- 3.9 **In respect of Special Responsibility Allowances, the Panel recommends:**
i) that it is not proposing any changes to the current multipliers of Basic Allowance for each respective role as set out in Annex 2 of its report.
ii) that the Council requests the Panel to undertake a full review of SRAs in Autumn 2024 to inform the Scheme of Members' Allowances for 2025/26
- 3.10 In respect of Travel and Subsistence Allowances the Panel recommends that rates are set in line with rates of travel and subsistence claimable by Council employees.
- 3.11 The Panel reviewed the comparator data for co-opted member allowances and considers that the existing allowance of £1,000 should continue for 2024/2025.
- 3.12 The Panel recommends that the Scheme of Members' Allowances 2024/25 continues to include a Parental Leave and Carers' Allowance in line with the current Somerset Council 2023/24 scheme.
- 3.13 The Panel continues to recommend that the role of the Independent Remuneration Panel member should remain as voluntary and that no allowance is claimable.

4. Implications

- 4.1 Financial: The 2023/24 budget allocation for Members Basic and Special Responsibilities Allowances is £2,340,200.

A pressure bid of £ 118,000 for Members Allowances has been included as part of the Medium-Term Financial Plan 2024/25 to meet the costs of the Panel's recommended increase to allowances in line with estimated percentage increases for staff pay awards in 2024/25. This would provide a 2024/2025 budget allocation for Members Basic and Special Responsibilities Allowances of £2,458,200.

4.2 Legal: The legal requirements are set out in the report.

The proposed Members' Allowance Scheme complies with the relevant provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003; the Local Government and Housing Act 1989 and the Local Government Act 2000.

As soon as reasonably practicable after the making of a Scheme, copies of the Scheme have to be made available for inspection at the Council's office and a notice has to be published in a local newspaper.

4.3 Risk: The risks are reputational rather than legal. The Council does not have to accept the Panel's recommendations but where it chooses not to do so it should give reasons that can be part of the record of the meeting. The Council is required to give reasons where it chooses not to accept Panel recommendations on allowances.

4.4 Equalities:

Under section 149 of the Equality Act 2010, the council has a duty when exercising its functions to have "due regard" to the need to eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act and advance equality of opportunity and foster good relations between persons who share a protected characteristic and persons who do not. This is the public sector equality duty.

When setting the Scheme of Members' Allowances, consideration needs to be given as to how the allowances enable the Council to attract high quality candidates to stand as councillors, from a wide variety of backgrounds, whilst also ensuring that financial barriers to anyone who wishes to stand for election are minimised.

The proposed Scheme of Members' Allowances relates to all 110 elected members across all 55 electoral divisions. It applies to all 110 members equally.

Other implications: There are also no sustainability or community safety implications.

Independent Remuneration Panel report and recommendations – Appendix 1
Local Authorities (Members' Allowances) (England) Regulations 2003
Scheme of Member Allowances 2023 – 2024 (published on the Council's
website)

Appendix 1

Somerset Council Independent Remuneration Panel – Report of the Independent Remuneration Panel on Allowances for the Members of Somerset Council for adopting the Scheme of Members Allowances 2024/25

1. Summary

The Independent Remuneration Panel was set up following a resolution from Somerset County Council in July 2022 recommending that a new Independent Remuneration Panel to recommend a Scheme of Members' Allowances for the new Somerset Council ahead of vesting day on 1 April 2023.

Although the Panel is appointed by Somerset Council it is an independent body. It's responsibility is to review the Council's Scheme of Members Allowances. The Panel makes recommendations to Somerset Council to ensure that allowances are set at the appropriate level to undertake the elected member role and sufficiently attractive to all who would wish to serve as an elected member of Somerset Council.

In February 2023, the Panel recommended the Scheme of Members Allowances for 2023/24 to the former Somerset County Council to consider and approve on behalf of the new Somerset Council. The Panel recommended that the Basic Allowance for an elected member should be £15,500 per annum. They also recommended the Special Responsibility Allowances for the various roles (Chair of Council, Leader of the Council, Chairs of various committees, etc) for the new Somerset Council.

In view of the new functions and role of the unitary council and the 110 councillors from 1 April 2023, the Panel also proposed that the Council asked the Panel to carry out a further review of member allowances in autumn of 2023, including interviewing councillors regarding their workloads and time commitments in their new roles as unitary councillors. This work would be used to inform any recommendations to the Council regarding the Scheme of Members Allowances for 2024/25. The Council agreed all of the Panel's recommendations.

Since 1 April 2023 Somerset Council is now responsible for all the services and functions previously carried out by 5 local authorities. As part of developing the recommendations for the Scheme of Members Allowances 2024/25, the Panel has :

- undertaken interviews and reviewed feedback from a number of elected members from across Somerset in a variety of roles with and without Special Responsibility Allowances

- reviewed comparator data from peer councils which are similar to Somerset Council although none are identical, some of which have been established for some time to offer a useful insight into the roles of a unitary Councillor.

The Panel has also consulted with political group leaders to seek their views on the proposed Scheme of Members Allowances for 2024/25.

The Panel recognises that the Council is still new in its form and function and further evolving. It was expected that there would be an increase in workload for the new unitary Councillors, given the full range of functions of the former County and four District Councils including education, social services, highways, planning, licensing and housing. Nevertheless even with the interviews and feedback from members, the Panel has found it difficult to identify any significant differences compared to peer councils and the assumptions used for the current Scheme of Members Allowances.

For the development of the Scheme of Members Allowances for 2024/25 the Panel has received advice from senior officers of the Council and has again reviewed data from comparable unitary authorities. Based on this information the Panel is recommending that the **Basic Allowance for 1 April 2024 is £15,500 per annum and that this increases during 2024/25 at the same level of percentage increase as Somerset Council's officer pay award for 2024/25 (index linked to officer pay award and not inflation).**

The Panel has also reviewed the Special Responsibility Allowances for existing roles.

The Panel has identified some variation when compared to peer councils for the following roles:

- Opposition Group Leader – some peer councils do not have a SRA for this role or others set the SRA at approximately
- Opposition Deputy Leader – most peer councils do not have a SRA
- Opposition Spokespersons – most peer councils do not have a SRA
- Chair of Audit Committee – some peer councils remunerate between 50% and 78% of Somerset Council's SRA
- Chair of Constitution and Governance Committee – some peer councils remunerate at 58% of Somerset Council's SRA
- Chair of Licensing and Regulatory Committee – some peer councils remunerate at an average of 51% of Somerset Council's SRA
- Vice-Chairs of Audit, Constitution and Governance Committee, Licensing and Regulatory Committee, Standards Committee – most peer councils do not have a SRA

From the interviews and feedback with members, the Panel has not been able to identify any significant changes to responsibilities for the roles receiving SRAs and therefore it does not propose any changes to the current SRAs for the Scheme of Members' Allowances for 2024/25. Nevertheless the Panel is aware that there is variation when compared to peer councils and would therefore recommend that a full review of Special Responsibility Allowances is undertaken to inform the consideration of the Scheme of Members Allowances for 2025/26.

The Panel acknowledged that the Council has created 18 Local Community Networks to act as a forum for community voice, engagement and influence. The Panel has reviewed evidence from members on the workloads and commitment arising from the Local Community Networks and at this stage does not recommend any Special Responsibility Allowances for members. The Panel advises that should the Council delegate significant functions, responsibilities and budgets to the Local Community Networks then it would review its recommendations.

In respect of Travel and Subsistence Allowances the Panel recommends that rates are set in line with rates of travel and subsistence claimable by Council employees.

2. Independent Remuneration Panel for Somerset Council

We represent the Independent Remuneration Panel which reports to Somerset Council on 20th December 2023. It is anticipated that the Panel will conduct annual reviews whilst it understands the workloads and case work for all councillors.

A recruitment process was undertaken and following an interview process five panel members were selected to form the new Somerset Independent Remuneration Panel, in accordance with legislation approved in 2003. Panel members normally serve a three-year term of office. A member may be reappointed by a further term of three years, meaning that each member can only sit for a maximum of six years on the Panel. At the first Panel meeting the Chair was appointed to serve for an initial term until March 2024.

In terms of independence, Panel members are not employees and are therefore independent of the Council. Panel Members do not have a line manager in the Council and therefore are under no direction or influence from the Council in any way. Ongoing administrative support for the IRP however is provided by the Council as and when required.

The Panel members do not receive an allowance for their role but can claim reimbursement for reasonable travel and subsistence costs incurred on Panel business in line with rates set by Somerset Council.

The current membership of the Independent Remuneration Panel is as follows:

David Lamb – Panel Chair

Owner of a number of businesses in the Bridgwater area employing around 300 employees. Previously served as the Chairman of the Sedgemoor District Council Independent Remuneration Panel.

Bryony Houlden – Panel Member

Chief Executive of South West Councils which is a membership organisation of all 29 local authorities in the South West (from April 2023). Currently sits on a number of other Independent Remuneration Panels, including Devon County, Cornwall, Plymouth, Torbay, Bristol and Bath and North East Somerset Council's, previously a member of the Joint Somerset Independent Remuneration Panel.

Mel Hillman – Panel Member

Former Corporate Services Manager at Yeovil Hospital before retiring. Also worked as a School Clerk on a local school Board of Governors in Somerset and Dorset.

Dr Paull Robathan – Panel Member

Deputy Lead Governor of the Somerset NHS Foundation Trust and a former District Councillor. Also worked for Government agency conducting independent peer reviews.

Phil Gait – Panel Member

Retired, a former district councillor and member of a local parish council.

3. Terms of Reference for the Panel:

- To consider matters relating to Members' remuneration and expenses.
- To consider any representations.
- To make recommendations and provide advice to the Somerset Council.
- To carry out a full review of Basic Allowances and Special Responsibility Allowances.

The Council seeks the advice of the Panel before making any changes or amendments to the Members' Scheme of Allowances and should therefore take its reasoning into account before setting a new or amended Scheme of Members' Allowances.

4. Background

On 21 July 2021 the Government approved that the former 5 local authorities in Somerset would be replaced by a new Somerset Council on 1 April 2023. Somerset Council has the responsibility to deliver all of the functions and duties that were previously delivered by the four District Councils and County Council in Somerset.

In May 2022 elections took place for 110 County Councillors representing the 55 electoral divisions. The 110 Councillors were elected to the County Council until 31 March 2023 and then became the members of the new Somerset Council for the period from April 2023 until elections in May 2027. In total this will be a term of office of 5 years.

The Panel invited councillors to provide information on their workloads and any significant changes to their responsibilities as a member of Somerset Council since 1 April 2023. Interviews were offered and a summary of key points is set out in section 5.

Although available throughout the year, the Panel met between June and November 2023 to consider the most recent information, as part of its review and to formulate its recommendations. The Panel considered evidence from elected members, together with national and local contextual information on benchmarking data, financial context and input from Senior Council Officers.

In terms of elected member attendance at Committee meetings, then those meetings are held in a hybrid format at County Hall, Deane House (Taunton), Bridgwater House, Shape Mendip (Shepton Mallet) and Brympton Way (Yeovil). Area based Planning Committees, Licensing Sub-Committees, Regulatory Sub-Committees and Local Community Network meetings take place across Somerset. The total number of meetings held during 2023/24 is anticipated to be slightly lower than the total number of the former five legacy councils.

In addition to attendance at Committee meetings, the role of members in Somerset Council has a strong emphasis upon locality working, community leadership and linking in with Parish, Town and City Councils and other local bodies. This is similar

to other peer councils like Wiltshire Council, North Yorkshire Council, Buckinghamshire Council and Cornwall Council. The Panel has referred to comparator data for 2023/24 from these unitary authorities and received information from Council officers. At the time of writing, the Panel is aware that Cornwall Council and North Yorkshire Council are considering an increase in 2024/25 for their basic allowances.

The Panel is aware that the Council has recently declared a financial emergency and is facing significant financial and demand-led pressures in 2023/24 and 2024/25. Latest forecasts suggest that by 2024, living costs should be increasing by less than household incomes as inflation rates fall. However, prices will remain high. Inflation measures the change in prices over a 12-month period, and falling inflation only means prices are rising less quickly, not that they are falling. Consequently, it may take some years for household incomes to recover to their previous level in real terms and this may continue to impact on demand across services.

The figures below show the inflation rates for the preceding 12 months up to:

	June 2021	June 2022	June 2023	Oct 2023
Retail Price Index	3.9%	11.8%	10.7%	6.1%
Consumer Price Index	2.5%	9.4%	7.9%	4.6%

Source: ONS website

The Office for Budget Responsibility's Economic Forecast in November 2023 expects CPI inflation to be 2.8% in Q4 2024.

5. Interviews with Councillors

Councillors who had requested to meet with the Panel to make representations regarding the Council's Scheme of Members' Allowances were given the opportunity to do so. These Councillors represented a good cross-section of the political groups, positions, and electoral divisions (urban and rural). Some had served on the former county council and/or district councils for a number of years; others had been newly elected in 2022.

Some received only the Basic Allowance, the others held one or more roles attracting a SRA. Different political parties and types of electoral divisions were represented.

The overarching concerns expressed were in respect of increased workload and the perceived need for the Basic Allowance to be sufficient to attract people who are representative of Somerset's population and those who do not have independent financial means. Most Councillors felt that the current Basic Allowance was too low to achieve this and/or did not fairly reflect the time commitment required to do the job properly. Conversely, there were no significant suggestions that SRAs were not sufficient and fair, although some reference was made to a feeling that there was a higher responsibility for the Chairs of Scrutiny and Planning compared to the other committees.

5. Councillors' Basic Allowance

All local authorities must make provision in its Scheme of Members' Allowances for a basic flat rate allowance payable to all of its members. The allowance must be the same for every Councillor, it is taxable and is paid in equal instalments throughout the year. At Annex 1 are details of the comparator information with other unitary authorities, that the Panel has used in making its recommendations.

In formulating its recommendations, the Panel considered the following:

- Councillors volunteer for their roles. They are not remunerated at a commercial rate for their time, as if they were employees.
- The overall reduction in Councillors through Local Government Reorganisation and the impact on the workloads of the 110 elected members of Somerset Council.
- The feedback from elected members and senior officers.
- The Council should feel able to attract high quality candidates to stand as councillors from a wide variety of backgrounds and there should be no financial barrier to anyone who wishes to stand for election.
- The level of allowances paid reflect that of allowances in comparable peer councils and unitary authorities.
- The general economic climate, including recent increases in the cost of living.

Previously the former Joint Independent Remuneration Panel for Somerset County Council had calculated Basic Allowances based on an appropriate spinal point on the Officers pay scale and discounted by a third to reflect the voluntary element of the work. The daily rate has then been multiplied by the equivalent of 4 days a week (the average time that members spend on Council business) to give the final calculation.

The Panel acknowledge that this approach had worked well for the Joint Panel and the County Council, however for 2023/24 the Panel used a simpler methodology, based upon reviewing the basic allowance of other comparable authorities and determining where it would be appropriate to set the remuneration level for councillors in the new Somerset Council.

Panel Recommendation - Basic Allowance:

The Panel recommends to Somerset Council that the Basic Allowance for the financial year 2024/25 should be £ 15500 and be increased in-year at the same percentage increase as the average Somerset Council officer pay award for 2024/25

6. Councillors' Special Responsibility Allowances

The Panel also reviewed the Special Responsibility Allowances for those Councillors who have significant responsibility over and above the normal work of a Councillor.

The Panel reviewed the feedback from the interviews and also comparator data.

The Panel has identified some variation when compared to peer councils for the following roles:

- Opposition Group Leader – some peer councils do not have a SRA for this role or others set the SRA at approximately
- Opposition Deputy Leader – most peer councils do not have a SRA
- Opposition Spokespersons – most peer councils do not have a SRA
- Chair of Audit Committee – some peer councils remunerate between 50% and 78% of Somerset Council's SRA
- Chair of Constitution and Governance Committee – some peer councils remunerate at 58% of Somerset Council's SRA
- Chair of Licensing and Regulatory Committee – some peer councils remunerate at an average of 51% of Somerset Council's SRA
- Vice-Chairs of Audit, Constitution and Governance Committee, Licensing and Regulatory Committee, Standards Committee – most peer councils do not have a SRA

From the interviews and feedback with members, the Panel has not been able to identify any significant changes to existing responsibilities for the roles receiving SRAs and therefore it does not propose any changes to the current multipliers which

are used as the basis for the SRAs for the Scheme of Members' Allowances for 2024/25. Nevertheless the Panel is aware that there is variation when compared to peer councils and would therefore recommend that a full review of Special Responsibility Allowances is undertaken to inform the consideration of the Scheme of Members Allowances for 2025/26.

The Panel acknowledged that the Council has created 18 Local Community Networks to act as a forum for community voice, engagement and influence. The Panel has reviewed evidence from members on the workloads and commitment arising from the Local Community Networks and at this stage does not recommend any Special Responsibility Allowances for members. The Panel advises that should the Council delegate significant functions, responsibilities and budgets to the Local Community Networks then it would review its recommendations.

Panel Recommendation – Special Responsibility Allowance:

- i) The Panel reviewed all SRAs and it is not proposing any changes to the current multipliers of Basic Allowance for each respective role as set out in Annex 2.**
- ii) That the Council requests the Panel to undertake a full review of SRAs in Autumn 2024 to inform the Scheme of Members' Allowances for 2025/26**

7. Co-opted Member Allowances

The Panel reviewed the comparator data for co-opted member allowances and considers that the existing allowance of £1,000 should continue for 2024/2025.

Panel Recommendations – Co-opted members:

- i) The Panel recommend that the current level of co-opted allowance remains at £1,000 per annum for 2024/25.**
- ii) The Panel continues to recommend that the role of the Independent Remuneration Panel member should remain as voluntary and that no allowance is claimable.**

8. Parental Leave and Carer's Allowance

The Panel supports the arrangements contained in the current Somerset County Council scheme for Parental Leave and recommend that this continues for the new Council. In respect of Carers' Allowances the Panel supports that the new scheme should continue to provide for payment of expenditure for childcare and carers' which ensures members have the opportunity to undertake their duties and provide care to their dependents.

Panel Recommendation – Parental Leave and Carers' Allowance:

The Panel recommend that the Scheme of Members' Allowances continues to include a Parental Leave and Carers' Allowance in line with the current Somerset Council scheme.

9. Travel and Subsistence

The Panel reviewed the current rates in the Somerset County Council's scheme for travel and subsistence. Those arrangements are linked to the rates for Council employees and the Panel recommend that the travel and subsistence rates for councillors should be in line with those claimable by Council employees.

Panel Recommendation – Travel and Subsistence:

The Panel recommend that the travel and subsistence rates for councillors should remain in line with those claimable by council employees as set out in Annex 2.

David Lamb

Chair – Somerset Independent Remuneration Panel

Dec 2023

Annex 1

Basic Allowance – Comparator information (Based on figures for 2023/2024)

Authority	Basic Allowance	Difference in allowance	Population	Number of Councillors
Buckinghamshire	£13,525	-£1,975	553,000	147
Cornwall	£17,681	+£2,181	561,350	87
North Yorkshire	£15,500	£0	615,491	90
Somerset	£15,500		569,400	110
Wiltshire	£15,869	+£369	510,300	98

Annex 2

Special Responsibility Allowances – IRP Recommendations for 2024/2025

Member Role	Rate of SRA from 1/4/23 (BA £15,500)		
	Band	Multiplier £	Total £
Council Leader	1	2.5	31,000
Deputy Leader	2	1.5	23,250
Lead Member	3	1.3	20,150
Opposition Leader (Conservative)	4	1.0	15,500
Chair of County Council	4	1.0	15,500
Chair of Strategic Planning Committee	5	0.5	7,750
Chair of Planning Sub-Committee North	5	0.5	7,750
Chair of Planning Sub-Committee East	5	0.5	7,750
Chair of Planning Sub-Committee South	5	0.5	7,750
Chair of Planning Sub-Committee West	5	0.5	7,750
Chair of Licensing and Regulatory Committee	5	0.5	7,750
Chair Constitution and Governance Committee	5	0.5	7,750
Chair of Audit Committee	5	0.5	7,750
Chair of Scrutiny for Policies, Adults and Health Committee	5	0.5	7,750
Chair of Scrutiny for Policies, Children and Families Committee	5	0.5	7,750

Chair of Scrutiny for Policies, Environment Committee	5	0.5	7,750
Chair of Scrutiny for Policies, Place Committee	5	0.5	7,750
Chair of Scrutiny for Policies and Communities Committee	5	0.5	7,750
Chair of Pensions Committee	6	0.25	3,875
Chair of Standards Committee	6	0.25	3,875
Chair of Pension Fund	6	0.25	3,875
Vice-Chair of County Council	6	0.25	3,875
Associate Lead Members	6	0.25	3,875
Vice-Chair of Constitution and Governance Committee	6	0.25	3,875
Vice-Chair Strategic Planning Committee	6	0.25	3,875
Vice-Chair Licensing and Regulatory Committee	6	0.25	3,875
Vice-Chair Audit Committee	6	0.25	3,875
Vice-Chair of Scrutiny for Policies, Adults and Health Committee	6	0.25	3,875
Vice-Chair of Scrutiny for Policies, Children and Families Committee	6	0.25	3,875
Vice-Chair of Scrutiny for Policies, Environment Committee	6	0.25	3,875
Vice-Chair of Scrutiny for Policies, Place Committee	6	0.25	3,875
Vice-Chair of Scrutiny for Policies and Communities Committee	6	0.25	3,875
Vice-Chair of Planning Sub-Committee North	6	0.25	3,875
Vice-Chair of Planning Sub-Committee East	6	0.25	3,875
Vice-Chair of Planning Sub-Committee South	6	0.25	3,875
Vice-Chair of Planning Sub-Committee West	6	0.25	3,875

Opposition Group Spokespersons and the Deputy Leader (Conservative)	6	0.25	3,875
Group Leader Labour	6	0.25	3,875
Group Leader Independent	6	0.25	3,875
Group Leader Green	6	0.25	3,875
Co-opted members	-	-	1,000

SUMMARY OF RATES OF ALLOWANCES FOR MEMBERS

1	TRAVELLING ALLOWANCE	Pence per mile
	Mileage rate up to 10,000 miles	45.00
	Over 10,000 miles	25.00
	Passenger supplement (5p per person per mile)	
	Motor Cycle	24.00
	Bicycle Allowance	20.00

2 **SUBSISTENCE ALLOWANCE**

- Breakfast allowance (more than 4 hours away from the normal place of residence before 11 am) – up to a maximum of £9.01;
- Lunch allowance (more than 4 hours away from normal place of residence, including the lunchtime period between 12 noon and 2 pm) – up to a maximum of £12.40;
- Tea allowance (more than 4 hours away from normal place of residence, including the period 3 pm to 6 pm) – up to a maximum of £4.82;
- Evening meal allowance (more than 4 hours away from the normal place of residence, ending after 7 pm) – up to a maximum of £15.36.

These payments only apply to duties undertaken outside of Somerset. Subsistence cannot be claimed for duties undertaken in Somerset.

3	OVERNIGHT ABSENCE	£
	maximum	144.45
		162.91 (within London)
4	CO-OPTED MEMBERS FINANCIAL LOSS	£
	(evidence based)	
	up to 4 hours	27.65
	over 4 hours	55.31

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Appendix 2

Somerset Council Scheme of Members' Allowances – 2024/25

1. INTRODUCTION

1.1 The Council's Scheme provides for payment of:

- a Basic Allowance (BA), a flat rate payable to each Councillor;
- a Special Responsibility Allowance (SRA) for Members undertaking “special responsibilities”, as defined by the Council;
- a Carer’s Allowance (CA) to reimburse expenditure incurred by Members (a) in providing child care arrangements and (b) on professional care for elderly, sick or dependent relatives to enable them to undertake approved duties; and
- Travel Allowances and Subsistence Allowances for Members undertaking ‘approved duties’.

2. GENERAL POINTS

2.1 The term "Member" in these notes means a Somerset Council Councillor.

2.2 Members have the option of not claiming all or part of an allowance. The Finance Director must be notified in writing if a Member wishes to pursue this option.

2.3 Where the Member's term of office or appointment to a post qualifying for SRA begins or ends during the financial year, he/she is entitled to the appropriate proportion of the annual payment.

2.4 In the case of a Council election year, all positions / posts held by Members on the Council (including posts qualifying for SRA) remain valid until the day of the Annual Meeting of the Council (the first meeting of the new Council following the election) and therefore Members holding those posts will continue to receive allowances. This is until a replacement is appointed, unless the post-holder ceases to be a Member of the Council in which case any appointment is invalid from that point and any associated allowance payment will cease.

2.5 All enquiries relating to members allowances should be made to the Democratic Services team on 01823 357628 or by emailing DemocraticServicesTeam@somerset.gov.uk

3. BASIC ALLOWANCE (BA)

3.1 A BA of £15,500 per annum has been approved for 2024/25 and will be paid to all Members in monthly instalments.

3.2 Definition of BA: BA recompenses Members for time devoted to their work as a councillor, and is intended to cover:-

- constituency and community duties, including use of the Members home;
- dealing with correspondence; - single Member duties;
- attendance at single party/political meetings;
- attendance at formal meetings of the Council (including travelling time to and from meetings);
- attendance at seminars, conferences and training sessions;
- attendance on 'outside bodies' as a Council representative; and
- other incidental costs, for which no other specific provision is made.

3.3 The annual sum for 2024/2025 is based on comparator data from comparable unitary authorities, with a Basic Allowance of £15,500.

4. SPECIAL RESPONSIBILITY ALLOWANCE (SRA)

4.1 **SRA** is:

- paid to Members who are elected or appointed to positions of special responsibility on the Council
- allocated on the basis of degree of responsibility and upon a perceived call on Members time, as agreed by the Council;
- paid in addition to the BA which the Member continues to receive; and
- paid in monthly instalments for as long as the Member has the responsibility.

4.2 **SRA** payments cover:-

- individual and collective decision-making and service responsibilities of Executive Members
- policy review and development activity
- meetings with Officers;
- attendance at County Hall and other Council premises to undertake official Council business;
- meetings with fellow Chair's or decision-makers and other single party meetings;
- dealing with correspondence;
- visits directly connected to the performance of an SRA duty e.g. headteacher interviews

- . official openings
 - . familiarisation / fact findings visits;
 - press meetings;
 - any other official Council business carried out by the Member in the role.
- 4.3 The Council has adopted multiples of the BA as the base for the calculation of the SRA bandings contained within this Scheme. The top banding of SRA which applies to the post of Leader of Council reflects the importance and responsibility of this role. The Leader's Allowance is based on a multiple of 2.5 x the BA.
- 4.4 Other SRAs are banded below the Leader's Allowance reflecting levels of responsibility associated with those specific roles.
- 4.5 A full list of the posts approved for SRAs is attached at Appendix 1. This Appendix sets out the bandings and payments for 2024/2025.
- 4.6 The number of Opposition Spokespersons receiving SRAs shall total no more than the number of Executive Members receiving SRAs at that time. The maximum number of Executive Members who can receive SRA is 10 – in accordance with the legislation which prescribes a maximum of 10 members for a local authority 'executive'.
- 4.7 An individual Member may only receive one SRA at any one time.

5. PARENTAL LEAVE AND CARERS ALLOWANCE (CA)

5.1 Parental leave

5.2 Parental Leave refers to the period of absence taken by an elected Member following the birth or adoption of a child.

a) Members are entitled to up to 52 weeks Maternity/Adoption leave and must notify their intention and the date on which the leave will commence in the same way as paid employees;

b) The Council will ensure that Members on Parental Leave are aware of the requirements under section 85 of the Local Government Act 1972 to attend at least one meeting in any six-month period, and are aware of which meetings are qualifying meetings and the process by which they may apply for dispensation, following which the Council may exercise its right to waive expulsion if non-presence relates to Parental

Leave being a reason approved by the authority before the expiry of the six-month period;

c) Absences from Council meetings during any period of Parental Leave will be noted as such, rather than being attributed to general absence;

d) During Parental Leave Members will continue to receive the Basic Allowance without deduction but any Special Responsibility Allowance will be reduced over time, as follows:-

i) for the first 6 weeks, 90% of the normal SRA will be paid;

ii) for weeks 7 to 18, 50%; and

iii) for weeks 19 to 52, 0%.

e) Where Councillors have made Shared Parental Leave arrangements, the Council will make every effort to replicate such arrangements in terms of leave from the Council;

f) The Council will facilitate any arrangements made by relevant Members which allow for the case work of a Member on Parental Leave to be completed by a Ward/Division colleague or another Member of the relevant Council Group;

g) The Council will ensure that Members have access to adequate IT provision to allow them to work from home while on Parental Leave and upon returning to their role, and will explain, at the start of the Paternity Leave, the “staying in touch” arrangements put in place for that Member;

h) The Council will facilitate any arrangements made by relevant Members which allow for the case work of a Member on Parental Leave to be completed by a Ward/Division colleague or another Member of the relevant Council Group.

5.3 Where another Member takes on the Special Responsibilities of a Member on Parental Leave, that Member will receive the full SRA in accordance with the Council’s usual policies.

5.4 Members shall be entitled to take 2 weeks Paternity Leave if they are the biological father or nominated carer of their partner/spouse following the birth of their child(ren). During this period Members will continue to receive their basic allowance and any special responsibility allowances without deduction.

5.5 **Carers' Allowance**

5.6 The Scheme provides for the payment (by way of reimbursement) of expenditure incurred by Members

(a) in arranging child-care and

(b) on professional care for elderly, sick or dependant relatives to enable them to undertake approved duties. [Please note that these payments are not covered by any special exemptions for taxation purposes. They are treated as emoluments (remuneration) of the 'office' and are taxed accordingly].

5.7 Expenditure on child care is reimbursed in accordance with the following requirements:-

a) Payments are restricted to registered childminders (other than a close relation) and other statutory approved child care providers who are not related to the Member;

b) Payments are restricted to the care of children up to their 14th birthday who normally reside with the Member; and

c) No payments are made in respect of the care of children of compulsory school age during school hours except where the child is absent from school due to illness.

5.8 **Care of dependants**

5.9 The reimbursement of expenditure on professional care for an elderly, sick or disabled dependant, including children with complex needs (of any age), normally residing with the Member, to undertake approved duties, is subject to payment being restricted to agencies or persons qualified to provide the care, other than close relations.

5.10 **General Conditions**

5.11 The following conditions apply to both child care and care of dependants:-

a) Payments are made on the basis of the reimbursement of actual expenditure incurred up to a maximum of three times the prevailing national living wage hourly rate for someone aged 25 or over;

b) Members must support their claims with receipts showing they have incurred expenditure in accordance with the scheme;

c) Qualifying meetings be restricted to those defined as an “approved duty” in Appendix 3 to the Scheme of Members’ Allowances; and

d) That neither the Member nor the person being cared for receives and allowance for care from any other source

6. TRAVEL ALLOWANCE (TA)

6.1 TA:

- can only be claimed for an approved duty, or for any duty covered by a special responsibility payment and for ‘normal allowable journeys’.
- is claimed monthly on the Members claim form (except for ‘low claimers’ see para 9.1 below) and receipts, including fuel VAT receipts, should be submitted to support expenditure.
- is payable at the rates shown in **Appendix 2**.

6.2 List of ‘Approved Duties’

The list of approved duties is set out in **Appendix 3**.

6.3 Definition of ‘normal allowable journey’

The **normal allowable journey** (for which mileage can be reimbursed) is from a member’s home to council offices and then back again. ‘Council offices’ will often be County Hall but could relate to any building where a member is undertaking an ‘approved duty’ under the Scheme, including, for example, attending a parish meeting.

The mileage that members can claim for is the **actual additional mileage** as a result of council business that the member incurs on any journey. The **maximum** the member can claim for is the normal allowable journey mileage.

6.4 TA - additional information

- Train Fares are reimbursed at 2nd Class rate.

NB - Members who are aged over 60 and who regularly use the train for Council business may reclaim the cost of a Senior Rail Card.

- The car mileage rate may be claimed for any journey, providing the following criteria can both be met:

- travel by car represented the best option in order to undertake the approved duty
- travel by car could be justified on cost grounds

In all other cases, payment will be made at the public transport rate.

- Wherever possible all claims should be supported by a valid VAT receipt. Fuel receipts submitted should pre-date the first date claimed for on the relevant claim form. It is also acceptable for a single fuel receipt to cover more than one month's claim as long as the value of the receipt is equivalent to expenditure of at least 10p per mile claimed.
- If a VAT fuel receipt is not provided in support of mileage then the level of reimbursement will be at a lower rate.
- A cycle allowance is payable to Members who use a bicycle to attend an approved duty.
- It is essential that Members minimise the need for travel wherever possible by combining trips, sharing transport, undertaking business by 'phone, including by conference calls or by email.
- A Member who is claiming mileage should always bear in mind the need to be able to demonstrate that the journey was wholly and necessarily in relation to his/her role as a Member.
- Additional payments of 5p per person per mile are payable for passengers carried. This payment is only claimable for a passenger who would have been entitled to submit their own claim to the Council. It is not payable for passengers who are members of the public or could make claims from another organisation.
- Reimbursement of taxi fares may be made in exceptional circumstances. A receipt must be provided.
- Reimbursement may be claimed for expenditure on tolls, ferries, parking fees etc. A receipt should be provided, if available.

7. SUBSISTENCE ALLOWANCES (SA)

7.1 SA is

- paid at the same rates as those paid for Officers;
- claimable for any approved duty exceeding 4 hours which spans the agreed meal time periods (specified in **Appendix 2**);
- claimable for the actual cost of the meal or the overnight expenses up to the maximum allowed;
- claimed monthly via the Members claim form; receipts should be submitted to support expenditure;
- only claimable for meals or overnight expenses for approved duties / SRA duties undertaken **outside** Somerset;
- not claimable if a meal is provided by a host free of charge;
- only claimable for a members own meal. There is no provision in the scheme for reimbursing claims for hospitality for other people;
- reimbursed at the rates shown in **Appendix 2**.

8. NON CLAIMABLE DUTIES

8.1 For the avoidance of doubt, the following duties are not approved for the purpose of claiming Travel Allowances and Subsistence Allowances:-

- single Member duties except where the Scheme provides otherwise
- attendance at single party meetings e.g. group meetings, except where the Scheme provides otherwise
- constituency meetings and duties.
- duties relating to outside organisations that are not Board, committee, subcommittee or working group meetings. e.g. book launches, openings etc.
- attendance at party political conferences
- social functions including religious meetings / church services
- acting as governors of primary or secondary schools; and
- where an outside body to which the member has been appointed itself pays members expenses.
- where the member attends an outside body but in circumstances where they have not been appointed as an official representative of the Council, i.e. appointed either by the Council or the Leader of the Council.

9. CLAIMS

9.1 How to Claim

- BA and SRA are paid automatically after completion of initial details.
- CA, SA and TA must be claimed on the Members' Electronic Claim Form for allowances.
- Claims must be submitted monthly to the authorising officer by 8th of the month in order to meet payroll deadlines.
- All claims and fixed entitlements are paid together on the last working day of that month.
- Late claims will result in late payment unless notification is given in advance. Claims older than 2 months will be referred for approval to pay to the Finance Director, in consultation with the Leader and appropriate Executive Member, and payment may be delayed or refused unless there is good cause for the lateness. Claims older than 3 months will not be reimbursed.
- A master copy of members electronic claim forms can be obtained from the Democratic Services team by phoning 01823 357628, or emailing DemocraticServicesTeam@somerset.gov.uk
- Allowances must not be claimed where the member is entitled to receive payment from another body.
- To cater for changes in circumstances that occur during the year and to ensure that no individual cases of exceptional hardship are experienced, the Director, in consultation with the appropriate Executive Member, can temporarily agree SRAs for individual Members as considered necessary. Note: The exception to the requirement to submit monthly claims relates to low claimers. 'Low claimers' have the option of only having to submit claims once every three months. The following rules apply to 'low claimers':
- Low claimers are defined as members submitting claims under a likely value of £100 over the 3 month period. If a member thinks that they are likely to fall into this category they should inform the Democratic Services team.
- Low claimers are now only required to submit 1 claim for every 3 months, 4 in total for the year **BUT** all claims for a particular financial year must be submitted by the end of that financial year.
- Any claims over 3 months old will be rejected.

9.2 **Payment of Claims**

- Payments are made through the council's computerised salaries and wages system to assist with the deduction of income tax and national insurance.
- An advice slip is provided giving details of allowances paid, an email address must be provided to enable this to be electronically sent.
- Payment will be made direct to a bank or building society account.

9.3 **Tax and National Insurance (NI)**

- BA, SRAs and CA are taxable and are subject to national insurance.
- Members should complete the Tax Details declaration on the Council's Personal Information form which will be completed to enable payroll records to be set up. Alternatively, a recent P45. If available can be supplied. Once the payroll record is set up, HMRC will provide the Council with tax code changes automatically.
- Details of meals paid for are given to HMRC who may adjust individual personal tax codes as a result.
- Mileage rates are in accordance with limits set within the HMRC's Fixed Profit Scheme.
- The Council's HR Admin and Payroll team will automatically cease the deduction of employees NI, if a Member is of State Pension Age
- Married women, who have remained in the same marriage, who opted into the reduced rate NI scheme prior to April 1977 may be entitled to pay reduced rate NI. The exemption card should be provided to the Council.
- For further information please contact the Democratic Services team on 01823 357628.

9.4 **Members Allowances and Benefits**

Members who receive Universal Credits or any other benefits should note that the allowances received for their role as a member are likely to be taken into account when calculating any benefits due. Members are advised to contact the relevant Benefits office.

9.5 **Sickness absence and Statutory Sick Pay (SSP)**

Members who are unwell and unable to attend scheduled meetings should advise Democratic Services of the first and last day of their sickness. This will be notified to HR Admin and Payroll. If the absence exceeds 3 days, and earnings have met the required national insurance threshold, SSP will be paid. Please note that Members who receive a monthly allowance will not receive SSP on top of this allowance, instead it will be offset against the normal payment.

9.6 **Statutory Maternity Pay (SMP), Maternity Allowance, Paternity Pay (PP), Adoption Pay and Shared Parental Pay (SPP) and Leave Entitlements**

Members are entitled to claim statutory payments for family absence if they meet the required statutory criteria. Time off will also apply. Members not entitled to SMP may be entitled to maternity allowance. This is a benefit and is claimed via MA1 claim form that can be found on the .GOV website. Members wishing to claim statutory payments and leave for maternity, paternity or shared parental absence should advise Governance Services who will ensure that HR Admin and Payroll notify the member of their entitlements and the requirements of the allowance being claimed.

9.7 **Backdating of Allowances**

Where there is an amendment made to the Scheme of Allowances, that amendment may be applied retrospectively by the Council to the beginning of the financial year.

Where a Member takes on duties entitling them to a different level of allowances, the new entitlement may be applied retrospectively to the date the changes were effective from.

10. **CO-OPTED MEMBERS**

Co-opted Members to Somerset Council Committees and/or Partnership Boards are entitled to be paid an allowance and reasonable expenses, and that the allowance has been set at £1,000 a year for the current year.

All co-opted members may claim travel and subsistence for approved duties at the same rate as elected Members, as may non-elected representatives appointed to committees and other bodies by the Council.

A Financial Loss allowance (FLA) may be paid to co-opted members (and to nonelected representatives appointed to outside bodies) for loss of earnings and expenses incurred by them in the performance of any approved duty. Such loss of earnings would normally be supported by a certificate supplied by the employer or such other evidence as to enable the loss of earnings to be determined.

APPENDIX 1

Member Role	Rate of SRA from 1/4/23 (BA £15,500)		
	Band	Multiplier £	Total £
Council Leader	1	2.5	38,750
Deputy Leader	2	1.5	23,250
Lead Member x 8	3	1.3	20,150
Opposition Leader (Conservative)	4	1.0	15,500
Chair of Council	4	1.0	15,500
Chair of Strategic Planning Committee	5	0.5	7,750
Chair of Planning Sub- Committee North	5	0.5	7,750
Chair of Planning Sub- Committee East	5	0.5	7,750
Chair of Planning Sub- Committee South	5	0.5	7,750
Chair of Planning Sub- Committee West	5	0.5	7,750
Chair of Licensing and Regulatory Committee	5	0.5	7,750
Chair Constitution and Governance Committee	5	0.5	7,750
Chair of Audit Committee	5	0.5	7,750
Chair of Scrutiny Adults and Health Committee	5	0.5	7,750
Chair of Scrutiny Children and Families Committee	5	0.5	7,750
Chair of Scrutiny Communities Committee	5	0.5	7,750
Chair of Scrutiny Climate and Place Committee	5	0.5	7,750

Chair of Scrutiny Corporate and Resources Committee	5	0.5	7,750
Chair of Pensions Committee	6	0.25	3,875
Chair of Standards Committee	6	0.25	3,875
Chair of Pension Fund	6	0.25	3,875
Vice-Chair of Council	6	0.25	3,875
Associate Lead Members x 9	6	0.25	3,875
Vice-Chair of Constitution and Governance Committee	6	0.25	3,875
Vice-Chair Strategic Planning Committee	6	0.25	3,875
Vice-Chair Licensing and Regulatory Committee	6	0.25	3,875
Vice-Chair Audit Committee	6	0.25	3,875
Vice-Chair of Scrutiny for Policies, Adults and Health Committee	6	0.25	3,875
Vice-Chair of Scrutiny for Policies, Children and Families Committee	6	0.25	3,875
Vice-Chair of Scrutiny for Policies, Environment Committee	6	0.25	3,875
Vice-Chair of Scrutiny for Policies, Place Committee	6	0.25	3,875
Vice-Chair of Scrutiny for Policies and Communities Committee	6	0.25	3,875
Vice-Chair of Planning Sub-Committee North	6	0.25	3,875
Vice-Chair of Planning Sub-Committee East	6	0.25	3,875
Vice-Chair of Planning Sub-Committee South	6	0.25	3,875
Vice-Chair of Planning Sub-Committee West	6	0.25	3,875

Opposition Group Spokespersons and Deputy Leader (Conservative)	6	0.25	3,875
Group Leader Labour	6	0.25	3,875
Group Leader Independent	6	0.25	3,875
Group Leader Green	6	0.25	3,875

Co-opted member allowance £1,000

SUMMARY OF RATES OF ALLOWANCES FOR MEMBERS

1	TRAVELLING ALLOWANCE	Pence per mile
	Mileage rate up to 10,000 miles	
	45.00 Over 10,000 miles	
	25.00	
	Passenger supplement (5p per person per mile)	
	Motor Cycle	24.00
	Bicycle Allowance	20.00
2	SUBSISTENCE ALLOWANCE	
	<ul style="list-style-type: none"> • Breakfast allowance (more than 4 hours away from the normal place of residence before 11 am) – up to a maximum of £9.01; • Lunch allowance (more than 4 hours away from normal place of residence, including the lunchtime period between 12 noon and 2 pm) – up to a maximum of £12.40; • Tea allowance (more than 4 hours away from normal place of residence, including the period 3 pm to 6 pm) – up to a maximum of £4.82; • Evening meal allowance (more than 4 hours away from the normal place of residence, ending after 7 pm) – up to a maximum of £15.36. 	
	<p>These payments only apply to duties undertaken outside of Somerset. Subsistence cannot be claimed for duties undertaken in Somerset.</p>	
3	OVERNIGHT ABSENCE	£
	maximum	144.45
		162.91 (within London)
4	CO-OPTED MEMBERS FINANCIAL LOSS	£
	(evidence based)	
	up to 4 hours	27.65
	over 4 hours	55.31

LIST OF APPROVED DUTIES

1. Attendance:-
 - a) at formal meetings of the Council including Committees, the Executive, Committees, and Sub-Committees, and any other authorised meeting of these bodies or organised by these bodies
 - b) at ad-hoc formally constituted Working Groups / Panels (e.g. scrutiny task and finish groups), where named members of the body or formally invited to participate.
 - c) at County Hall or other Council establishment for a meeting with either a member in receipt of an SRA or an Officer for the purpose of discussing matters relating to Council business in which it is reasonable to expect the member to have an interest.
 - d) as the Council's named representative on bodies to which the Council makes appointments except where the body itself pays allowances to the Council's representative. The approval relates to meetings of the body itself, its standing committees / sub-committees but not to other activities of the body.
 - e) at a meeting of any body that the Council is required to, or has agreed to, provide Council attendance at, acting as the Council's nominee or representative.
 - f) at local briefing meetings at the invitation of an Officer of the Council provided that the members of at least two political groups have been invited.
 - g) at a formal meeting of a District or Parish Council – where not a member of that Council:-
 - where formally invited to attend or where the Member has a specific interest in any/ all of the business on the agenda
 - h) at conferences where the Council has agreed to meet the conference fees or where the Member agrees to meet the conference fees
 - i) at Member induction, learning and development events / sessions organised by the Council
 - j) at up to 12 single party officer briefing / training events per annum

- k) at open days, sports days and similar events at Council establishments by formal or official invitation where the Member is performing a specific function.
 - l) Attendance at any civic or ceremonial event at the specific invitation of the Chair of Council, the Lord Lieutenant or High Sheriff.
2. Duties authorised by Council or Leader of the Council, including briefing meetings, site visits, meetings with outside bodies or individuals, tours of inspection, and general information visits, visits to Council premises.
 3. Duties carried out arising out of a Member holding an office:-
 - a) to which a SRA applies or such a duty carried out by their nominee,
 - b) as a named Member Champion, including attendance at County Hall or other Council establishments for any purpose which he/she considers necessary.
 4. The undertaking of any duty associated with the Council where invited by or on behalf of the Scrutiny Committee.
 5. Any duty for which express authority is given by the Chief Executive in the event of an emergency.
 6. Any other attendance for which prior approval has been given by the Service Director for Finance and Property after consultation with the Executive Member for Resources.

Note 1:

The term 'Council' covers Council, Committee, Sub-Committee and Executive business unless otherwise indicated.

Note 2:

A duty cannot be approved, in retrospect, for the purpose of paying allowances

Somerset Council

Full Council
20 February 2024



Report of the Chief Executive

Executive Member(s): Councillor Bill Revans, Leader of the Council and Lead Member for Governance and Communications and Councillor Richard Wilkins, Lead Member for Transport and Digital Services

Local Member(s) and Division: All

Lead Officer: Duncan Sharkey, Chief Executive

Author: Mickey Green, Executive Director Climate and Place and Fiona Wills, HR Business Partner, Climate and Place

Contact Details: mickey.green@somerset.gov.uk

1. Summary/ Background

- 1.1.** There is an urgent operational and financial need to agree emergency cover arrangements for one vacant post of Service Director, Infrastructure and Transport Services, to ensure strong leadership is in place to deliver the planned improvements and efficiencies to this service and the transition of contracts. A review of this role is proposed before permanent recruitment is undertaken to ensure the structure meets the objectives of the Transformation Project.
- 1.2.** The Council has qualified and suitably experienced Strategic Managers/ Heads of Service who can act up to cover the Service Director role to provide emergency cover for a temporary period to provide stability and continuity of leadership.
- 1.3.** Under the Councils Constitution Part I: 5 (Officer Employment Procedures /Arrangements) paragraph 1.4, the Chief Executive has authority after having sought the agreement of the Leader, and after appropriate consultations, to agree:(ii) emergency cover arrangements for the post specified where these positions become vacant between Full Council meetings. Any such agreement will be subject to review and confirmation at the next available Full Council meeting.

- 1.4.** Under the decision-making powers delegated to him as the Head of Paid Service and under section I 5 1.4(ii) of the Council Constitution, the Chief Executive took the decision, in December 2023 in consultation with the Leader of the Council and Cllr Richard Wilkins, Lead Member for Transport and Digital, to make an emergency temporary appointment to the proposed post of Service Director Infrastructure and Transport, following an internal recruitment process. This decision is subject to review and confirmation by Full Council, which is outlined in the recommendations in paragraph 2 of this report.
- 1.5.** The recommendations support the vision and priorities of the Somerset Council, as outlined in the 2023-2027 Council Plan, especially those aligned to ensuring we are:
- Fairer Ambitious Somerset - our passenger transport service ensures good access to schools, further education and training.
 - Greener and more sustainable - we are delivering more sustainable transport and decarbonising our operations,
 - Flourishing - we are enabling growth and development through the planning system, attracting major infrastructure investment, and maintaining our highways and transport networks which are the backbone of our economic performance,
 - Resilient - we ensure our transport networks are resilient to flooding, extreme weather and climate change impacts - operating emergency out of hours provision to make sure the roads are kept clear 24hrs a day,
 - Healthy and caring - we are running non-emergency health transport, promoting physical activity through active travel and tackling areas of poor air quality linked to traffic congestion.

2. Recommendations

- 2.1.** Full Council confirms the temporary appointment of Mike O'Dowd-Jones, Head of Service, Highways and Transport, to provide emergency cover to the post of Service Director Infrastructure and Transport, with effect from 15 December 2023 for a temporary period until 30 June 2024.

3. Implications

- 3.1. Financial/Risk:** The salary for the proposed emergency temporary appointment will be covered within the existing Climate and Place establishment budget.

This proposal directly contributes to mitigate the risk that Climate and Place are unable to achieve MTFP targets/deliver a balanced budget.

- 3.2. Legal/HR/Equalities:** All necessary aspects of the Councils Constitution and employment law will be followed in relation to emergency temporary

appointments, formal consultation on any proposed changes to workforce and subsequent permanent appointments. It is therefore considered that an Equalities Impact Assessment (EIA) is not required for this decision paper. An EIA will be produced as part of the formal business case for any proposed permanent changes in due course.

4. Background Papers

4.1. Appendix 1 - Chief Executive Decision Report

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

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Appendix 1

Decision Report – Chief Executive Decision

Decision Date – 4 February 2024

Chief Executive Decision – (Part I 5 Officer Employment Procedures/ Arrangements paragraph 1.4 (ii) of the Council's Constitution)



Appointment of Interim Service Director, Infrastructure and Transport

Executive Member(s): Councillor Bill Revans, Leader of the Council and Lead Member for Governance and Communications

Local Member(s) and Division: Councillor Richard Wilkins, Lead Member for Transport and Digital Services

Lead Officer: Duncan Sharkey, Chief Executive

Author: Mickey Green, Executive Director Climate and Place and Fiona Wills, HR Business Partner, Climate and Place

Contact Details: mickey.green@somerset.gov.uk

1. Summary/ Background

- 1.1 There is an urgent operational and financial need to agree emergency cover arrangements for one vacant post of Service Director, Infrastructure and Transport Services, to ensure strong leadership is in place to deliver the planned improvements and efficiencies to this service and the transition of contracts.
- 1.2 The Council has qualified and suitably experienced Strategic Managers/ Heads of Service who can act up to cover the Service Director role to provide emergency cover for a temporary period to provide stability and continuity of leadership.
- 1.3 Under the Councils Constitution Part I: 5 (Officer Employment Procedures /Arrangements) paragraph 1.4, the Chief Executive has authority after having sought the agreement of the Leader, and after appropriate consultations, to agree:(ii) emergency cover arrangements for the post specified where these positions become vacant between Full Council meetings. Any such agreement will be subject to review and confirmation at the next available Full Council meeting.

2. Recommendations

- 2.1 The Chief Executive agrees:
 - a) To appoint Mike O'Dowd-Jones, Head of Service, Highways and Transport, to provide emergency cover to the post of Service Director, Infrastructure and

Transport, with effect from 15 December 2023 for a temporary period until 30 June 2024.

- b) To present recommendations to the next Full Council in February 2024 for this temporary cover arrangement to be ratified.

3. Other options considered

3.1 Appointing to this role on a permanent basis was not considered a viable option, given the Transformation programme and likelihood of a workforce organisational structure review in 2024.

3.2 Holding the post vacant was also discounted due to the impact of the additional workload on the Executive Director and remaining Service Directors within Climate and Place.

3.3 An external interim appointment was considered but after discussions, excluded on grounds of affordability. Discussions with WSP, our main supplier of 'place based' professional services (engineering and wider place based services), on providing a contractor reached the same conclusion.

4. Implications

4.1 Financial and Risk Implications

The salary for the proposed emergency temporary appointment will be covered within the existing Climate and Place establishment budget.

This proposal directly contributes to mitigate the risk that Climate and Place are unable to achieve MTFP targets/ deliver a balanced budget.

4.2 Legal/ HR/ Equalities Implications

All necessary aspects of the Council's Constitution and employment law will be followed in relation to emergency temporary appointments. It is therefore considered that an Equalities Impact assessment (EIA) is not required for this decision paper.

4.3 Community Safety, Climate Change, Sustainability and Health and Safety Implications

Implications have been considered but are not applicable.

4.4 Health and Wellbeing Implications

Providing emergency cover arrangements for this vacancy will ensure that there is sufficient senior management capacity to support the health and wellbeing of the service.

4.5 Social Value

Implications have been considered but are not applicable.

5. Background Papers

5.1 Part I 5 Officer Employment Procedures/ Arrangements paragraph 1.4 (ii) of the Council's Constitution

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

Report Sign-Off (if appropriate)

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	5.2.24
Finance & Procurement	Nicola Hix	5.2.24
Workforce	Dawn Bettridge	5.2.24
Executive Director / Senior Manager	Mickey Green	6.2.24
Executive Lead Member	Cllr Richard Wilkins	6.2.24
Chief Executive	Duncan Sharkey	7.2.24

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Somerset Council

Full Council

20 February 2024



Report of the Monitoring Officer

Lead Member(s): Councillor Bill Revans – Leader of the Council and Lead Member Governance and Communications

Lead Officer: David Clark – Service Director – Governance, Democratic and Legal Services and Monitoring Officer

Author: Scott Wooldridge – Head of Governance and Democratic Services

Contact Details: scott.wooldridge@somerset.gov.uk

1. Summary

This report sets out a proposed appointment to the role of Vice-Chair of Scrutiny Committee – Corporate and Resources (see Paper A) and appointment of an Independent Person (see Paper B).

2. Recommendations

That the Council is:

Paper A

Recommended to approve the appointment of Councillor Henry Hobhouse as the Vice-Chair of Scrutiny Committee – Corporate and Resources

Paper B

Recommended to:

- (i) appoint Lorraine Davey as an Independent Person with effect from 21 February 2024 and

- (ii) agree that the two Reserve Independent Person roles remain vacant until such time as the Monitoring Officer decides that recruitment is needed..

3. Background and Background Papers

This is set out in Papers A and B.

4. Legal, Equalities and Financial Implications

These are set out in Papers A and B.

Paper A - Appointment of Vice-Chair of Scrutiny Committee – Corporate and Resources

Lead Member: Councillor Bob Filmer – Chair of Scrutiny Committee – Corporate and Resources

Division and Local Member: All

Author: Scott Wooldridge – Head of Governance and Democratic Services

Contact Details: scott.wooldridge@somerset.gov.uk

1. Summary

- 1.1 This report sets out the proposed nomination of Councillor Henry Hobhouse to the role of Vice-Chair of Scrutiny Committee for Corporate and Resources.

2. Recommendations

- 2.1 **The Council is recommended to approve the appointment of Councillor Henry Hobhouse as the Vice-Chair of Scrutiny Committee – Corporate and Resources.**

3. Background

- 3.1 The Leader of the Council appointed Councillor Richard Wilkins to the role of Lead Member-Transport and Digital with effect from 1 January 2024.

In accordance with legislation and the Council’s Constitution, a member of the Executive (Leader of the Council or a Lead Member) cannot be a member of a scrutiny committee. In addition to being a former member of Scrutiny Committee – Corporate and Resources, Councillor Wilkins was also the Vice Chair of that committee.

Councillor Hobhouse was appointed to the vacancy on Scrutiny Committee – Corporate and Resources. The committee has chosen at each of its meetings in January and February 2024 to appoint him as Vice-Chair. The recommendation above seeks Full Council approval to the appointment.

4. Background Papers

4.1 These are set out on the Council website.

Paper B - Appointment of an Independent Person

Lead Officer: David Clark, – Service Director – Governance, Democratic and Legal Services and Monitoring Officer

Division and Local Member: All

Author: Scott Wooldridge – Head of Governance and Democratic Services

Contact Details: scott.wooldridge@somerset.gov.uk

1. Summary

- 1.1 This report sets out the proposed appointment of Lorraine Davey as an Independent Person. Lorraine Davey is currently a Reserve Independent Person for Somerset Council.

2. Recommendations

2.1 The Council is recommended to :

- i) agree the appointment of Lorraine Davey as an Independent Person; and**
- ii) agree that the two Reserve Independent Person roles remain vacant until such time as the Monitoring Officer decides that recruitment is needed.**

3. Background

- 3.1 Section 28 of the Localism Act 2011 requires Councils to have arrangements in place to investigate and make decisions on allegations that a Councillor has breached the Code of Conduct. The arrangements to make decisions on allegations must include provision for the appointment of one or more “Independent Person”.

In March 2023, the Council appointed three Independent Persons and two Reserve Independent Persons. At that time, there was the potential that three Independent Persons may not provide a sufficient level of resource and therefore the two Reserve Independent Persons was a mitigation.

During late 2023, one Independent Person and one Reserve Independent Person have resigned from their roles. Experience to date has shown that

three Independent Persons should be sufficient to support the Council during 2024.

It is proposed that the remaining Reserve Independent Person, Lorraine Davey, is appointed to the vacant Independent Person role.

This will leave two vacant Reserve Independent Person roles. It is recommended that the Reserve Independent Person roles remain vacant as the three Independent Persons should be sufficient during 2024. This position will be kept under review by the Monitoring Officer.

4. Implications

4.1 Legal – the Council must appoint at least one Independent Person in accordance with Section 28 of the Localism Act 2011.

There is also a mandatory requirement introduced under the Employment Procedure Amendment Regulations 2015 to invite at least two independent persons to join a panel set up to consider the dismissal of statutory officers.

The appointment of an Independent Person must be approved by a majority of the members of the authority.

Financial – The Council agreed in November 2022 that each Independent Person would be paid an annual allowance of £ 1,000 per annum. The two vacant Reserve Independent Person roles will provide a saving of £600 per annum. The allowances paid to the three Independent Persons can be met by the Governance, Legal and Democratic Services Budget for 2024/25.

5.1

Background Papers

Localism Act 2011

Council's Constitution – Independent Persons Protocol

SCC Full Council March 1 2023 Agenda Item 6 – Report of the Monitoring Officer (Paper 4) – Appointment of Independent Persons

Somerset Council

Full Council
20 February 2024



Joint Auditors' Annual Report to Somerset Council

Executive Member: Councillor Liz Leyshon, Deputy Leader and Lead Member for Resources and Performance

Lead Officer: Jason Vaughan, Executive Director for Resources and Corporate Services

Contact Details: jason.vaughan@somerset.gov.uk

1. Summary

1.1 This report sets out the Audit Committee's recommendation to Council arising from their consideration of the report at the Audit Committee meeting on 25 January 2024.

Note: The references in this report to Paper A relate to the relevant report considered by the Audit Committee and contain specific recommendations for Full Council to consider and are appended to this report for reference.

1.2 **Paper A (Joint Auditors' Annual Report to Somerset Council)** details the Auditors' finding on arrangements in place at the Council to secure Value for Money (see Paper A). It reports on whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

1.3 Paper A also includes a summary of findings and recommendations to Somerset Council, as the new unitary Council, which are accompanied by the Council's management response.

1.4 As a result of Audit Committee reviewing this paper, they have suggested that the management responses could be expanded and strengthened to provide more assurance of action taken or to be taken. Management will do this, and report back to Audit Committee on progress of the actions.

2. Recommendations

2.1 That the Council:-

- a) Notes the Auditors' Annual Report (Paper A – Appendix A) and all recommendations: and
- b) Notes and endorses management's proposed responses and action to the improvement recommendations.

3. Background and Implications

3.1 These are set out in Paper A and its appendix.

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

Audit Committee
Meeting Date – 25 January 2024



Joint Auditors' Annual Report to Somerset Council

Lead Member(s): Cllr Liz Leyshon Deputy Leader and Lead Member for Resources and Performance

Lead Officer: Jason Vaughan – Executive Director Resources and Corporate Services

Author: Nicola Hix – Service Director Finance and Procurement

Contact Details: Jason.vaughan@somerset.gov.uk nicola.hix@somerset.gov.uk

Summary

1. The report details the Auditors' finding on arrangements in place at the Council to secure Value for Money. It reports on whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.
2. In completing this assessment, Grant Thornton have looked at the arrangements in place for the continuing authority Somerset County Council and three of the legacy District Councils (South Somerset District Council, Somerset West and Taunton District Council, and Sedgemoor District Council for the 2022/23 financial year. Grant Thornton were not the appointed auditor for Mendip District Council for 2022/23.
3. This report includes a summary of findings and recommendations to Somerset Council, as the new unitary Council, which are accompanied by the Council's management response.

Issue for Consideration / Recommendations

4. The Audit Committee is asked to:

4.1. note the Auditors' Annual Report (appendix 1) and all recommendations, and

PAPER A

4.2.note and endorse management's proposed responses and action to the improvement recommendations.

Financial and Risk Implications

5. There are no direct financial implications associated with these recommendations.
6. ORG0057 Sustainable MTFP is the strategic risk recorded and being actively monitored. This risk is owned by the Section 151 officer/Executive Director, Resources & Corporate Services along with the current live actions that are being monitored to mitigate this risk. This risk has the potential to negatively impact the 4 priorities of the Council Plan.

	Likelihood		Impact	Risk Score
ORG0057 Sustainable MTFP	5	x	5	25

Other risks currently on the register are:

	Likelihood		Impact	Risk Score
CS0034- Continued high needs block budget pressures and cumulative deficit	3	x	3	9
ORG0063 - Commercial investment - inability to achieve forecast income and drop in values	4	X	4	12

Other Implications:

Council Plan Implications

7. The report supports the transparent accountability for the Council's financial sustainability, good governance, and delivery of value for money with public funds.

Legal Implications

8. There are no direct legal implications of the recommendations.

HR Implications

PAPER A

9. There are no direct HR implications of the recommendations.

Equalities Implications

10. There are no equalities implications from this report.

Community Safety Implications

11. There are no community safety implications from approving this report.

Climate Change and Sustainability Implications

12. Somerset Council have declared both a Climate and Ecological Emergency. Through that, the Council has committed to working towards making the whole county, including our own estate and operations, 'Carbon Neutral' by 2030 and to take positive action to reverse the damage on our natural habitats by manufactured activity. We have also pledged to ensure that Somerset is resilient to, and prepared for, the effects of Climate Change. There are no implications from approving this report.

Health and Safety Implications

13. There are no health and safety implications from approving this report.

Social Value

14. There are no social value implications from approving this report.

Background

15. The Code of Audit Practice, which was revised in 2020, updated the way external auditors report on arrangements to secure value for money. This has resulted in a more comprehensive report and is the outcome of the substantial work undertaken by the External Auditors (Grant Thornton) which involved research and evidence gathering to support the Council's position in respect of:

- Ensuring financial sustainability
- Managing governance arrangements
- Securing economy, efficiency, and effectiveness in its use of resources

16. Recommendations made in the report are classified into a hierarchy of levels:

PAPER A

- Statutory Recommendations
- Key Recommendations
- Improvement Recommendations

17. Details of the hierarchy of recommendations are contained in Appendix B in the Auditor's Annual Report on page 76.

Report

18. The external auditors have made no statutory recommendations to the Council as a result of their findings, but they have made seven key recommendations and six improvement recommendations, as summarised on pages 10 to 12 of the report. The detail behind these recommendations can be seen on pages 14 to 25 for the key recommendations and pages 46 to 51 for the improvement recommendations.
19. All recommendations are linked to financial sustainability, governance arrangements or efficient and effective use of resources. Management agrees with the recommendations and have provided a response to each recommendation, which is included in the bottom section of each recommendation, detailing the action already taken or proposed to be taken to address each one.

Background Papers

Appendices

- Appendix A - Internal Auditor's Annual Report to Somerset Council



Interim Auditor's Annual Report to Somerset Council

Covering arrangements for:

Somerset County Council
Sedgemoor District Council
Somerset West and Taunton Council
South Somerset District Council
Somerset Pension Fund

2022/23

January 2024



Contents

Section	Page
Executive summary	3
Use of auditor's powers	13
Key recommendations	14
Securing economy, efficiency and effectiveness in its use of resources	26
The current LG landscape	27
Financial sustainability	29
Improvement recommendations	46
Governance	48
Improvement recommendations	54
Improving economy, efficiency and effectiveness	57
Improvement recommendations	61
Pension fund arrangements	62
Follow-up of previous recommendations	63
Opinion on the financial statements	73
Appendices	
Appendix A – Responsibilities of the Council	75
Appendix B – An explanatory note on recommendations	76



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

On 1 April 2023 the following five councils merged to form Somerset Council:

- Somerset County Council;
- Mendip District Council;
- Sedgemoor District Council;
- Somerset West and Taunton Council; and
- South Somerset District Council.

Page 59 of 101

Grant Thornton UK LLP is the appointed auditor for Somerset County Council, Sedgemoor District Council, Somerset West and Taunton Council, and South Somerset District Council.

This report is addressed to the newly established Somerset Council. However, it covers the arrangements in place for the four predecessor councils for which Grant Thornton UK LLP is the appointed auditor for the 2022/23 financial year.

For the remainder of this report the three predecessor District Councils of Sedgemoor, Somerset West and Taunton, and South Somerset will be referred to as “the District Councils”. As Grant Thornton are not the appointed auditors for Mendip District Council their arrangements will be covered by a separate report. Where we believe it provides appropriate context for the new authority, we have included Mendip District Council’s outturn and financial planning figures.

Under the National Audit Office Code of Audit Practice, we are required to consider whether Somerset County Council and the District Councils have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

Auditors are required to report their commentary on the Councils’ arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the councils’ arrangements for securing economy, efficiency and effectiveness in their use of resources.

The conclusions from our work and recommendations raised for each council are summarised in the following tables. All of the recommendations raised in this Auditor’s Annual Report are addressed for Somerset Council to consider.

This Auditor’s Annual Report is issued as an interim report, pending the completion of the audits of the County Council and the District Council financial statements for 2022/23. Once these audits are all completed the Auditor’s Annual Report will be updated for any significant findings and issued as a final version.

As we complete the audit of the financial statements for 2022/23 for South Somerset District Council, we will assess the management actions taken to address the key recommendation raised in the Auditor’s Annual Report 2020/21, to ensure that there is sufficient capacity to produce accurate financial statements by the statutory deadline.



Executive summary



Financial sustainability

Somerset Council is facing financial challenges that are impacting on the current year's financial position and on the ability to set a balanced budget for 2024/25 and beyond, and as such are a significant risk to the Council's financial sustainability. These challenges include financial pressures and financial planning arrangements inherited from predecessor councils during 2022/23, for example relating to the cost and demand of Adult and Children's services, the risks associated with commercial investment property, deficits on the dedicated schools grant, and the absence of a Council-wide transformation programme. Inflation, increasing cost and demand for services together with rising interest rates are creating additional pressures on Somerset Council's financial position. We have raised key recommendations across a number of areas aimed at strengthening the arrangements in place to secure financial sustainability. We recognise the proactive role that Somerset Council is taking to mitigate the financial pressures that it is facing, and in the open and transparent way it has reported these pressures to Members, the government, and external audit.

Financial planning

Somerset County Council and the District Councils each set balanced budgets for 2022/23, setting out their expenditure plans for the last year that they would operate as separate sovereign organisations. We have found no evidence of significant weakness with regard to the 2022/23 budget setting or monitoring processes for Somerset County or the District Councils.

The District Councils delivered underspends against their approved budgets for 2022/23. The positive outturn position allowed for additional contributions to reserves or reduced reliance on the use of reserves to balance budgets. We have found no evidence of significant weakness with regard to the outturn positions for the District Councils.

Somerset County Council overspent by £23.4m during 2022/23, with the deficit reducing the General Fund balance to £3.7m in comparison to a minimum recommended range of between £20m - £30m. The impact of the overspend on the General Fund balance is considered to be a significant weakness in arrangements at Somerset County Council. The main drivers for the County Council's overspend were increased demand and cost of care within Adult Services and Children's Services. These cost pressures continue to significantly impact the financial position of Somerset Council, driving both the overspend forecast for 2023/24 and the significant budget gap in 2024/25. We judge the financial risk that Adult and Children's Services pose to the financial sustainability of Somerset County Council and now Somerset Council to be a significant weakness in arrangements.

We have made a key recommendation that **Somerset Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adult and Children's Services.**

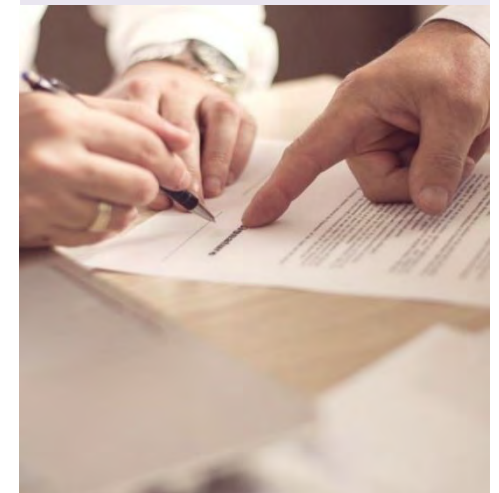
Somerset County Council, as the continuing authority under the Structural Change Order, was responsible for approving the 2023/24 budget for Somerset Council. While robust budget setting arrangements were in place to set the 2023/24 budget, we identified in the Auditors' Annual Report 2021/22 that it would still be a significant challenge to deliver a balanced budget for 2023/24 due to the level of savings required, with a budget gap of £74.2m identified as at November 2022.



Financial Statements opinion

We have not yet completed the 2022/23 financial statement audits for Somerset County Council, Sedgemoor District Council, Somerset West and Taunton Council, or South Somerset District Council.

Once these audits are completed this Auditor's Annual Report will be updated for any significant findings and issued as a final version.



Executive summary (continued)



Financial sustainability (continued)

Somerset County Council set a balanced budget for 2023/24. The budget gap was balanced through a combination of local government reorganisation savings, reserve contributions, and increased Council Tax income flexibilities announced in the annual finance settlement. However, due to cost and demand pressures in Adult and Children's Services, the October 2023 budget monitoring position forecasts an £18.3m overspend for 2023/24.

The declaration of a financial emergency and the introduction of spend controls during 2023/24 is starting to have an impact on the position, with the forecast deficit reduced from the August position of £27.3m.

As at January 2023, the forecast budget gap for 2024/25 is £82.5m and is too large to bridge through the normal budget setting process. The Council can reduce this gap using one-off resources from reserves and the collection fund surplus to £37.9m. The Council is in discussion with the Department for Levelling Up Housing and Communities (DLUHC) to bridge the remaining gap through increasing council tax by 5% above referendum principles (generating an additional £17.1m) and through a capitalisation directive of £20.8m. If DLUHC does not agree to these dispensations, then the Council will be forced to issue a Section 114 Notice to suspend all expenditure on non-statutory services for 2024/25.

The gap is driven by cost pressures within Adult and Children's Services. Somerset Council has identified a structural budget gap where costs are increasing at a higher rate than Council Tax can be increased. We raised an improvement recommendation in each of the County Council and District Council Auditors Annual Reports 2021/22 that adequate resources should be allocated to the planning and delivery of transformation in order to bridge the significant budget gaps over the medium term. However, there is currently no Council-wide transformation programme in place and there is not a significant pipeline of savings identified to balance the 2024/25 or future year budgets.

We recognise that Somerset Council has started to establish the governance arrangements for the transformation programme and the strategy is now to bring forward transformation so that it can start to deliver savings rapidly from 2024/25. The transformation programme will need to be implemented rapidly and at scale in

order to bridge the significant structural budget gap.

The absence of a transformation programme is a significant weakness in arrangements to ensure financial sustainability for Somerset County Council, the District Councils and Somerset Council.

We have raised a key recommendation **that Somerset Council should now implement the transformation programme at scale and pace in order to address the significant structural budget deficit.**

We wrote to Somerset Council on 17 October 2023 to express our concerns over the significant financial challenges that the Council is facing and the risk they represent to financial sustainability.

Somerset Council currently has a General Fund Balance of £49.8m and £104.9m of earmarked reserves. Unless the forecast overspend for 2023/24 is mitigated and actions are taken to significantly reduce the budget gap for 2024/25, there is a risk that unsustainable calls will have to be made on reserves, reducing them to levels that are insufficient to manage financial risk. If the budget gaps remain at their current levels Somerset Council will have negative reserves by 2025/26.

It is essential that Somerset Council mitigates the 2023/24 revenue overspend and closes the budget gap for 2024/25 in order to protect reserves and provide financial resilience going forward. Failure to reduce the potential impact on reserves from these pressures could result in Somerset Council having to issue a Section 114 Notice as soon as February 2024. We have made a key recommendation that **Somerset Council should ensure that General Fund and Earmarked Reserves are maintained at a prudent level in order to provide financial resilience.**

Commercial investment property

Somerset Council has inherited a significant commercial investment property portfolio from the predecessor district councils with acquisition costs of £289m and gross income of £20m. The scale of the commercial investment property portfolio represents a significant financial risk in relation to income generation, financing costs and capital value. The capital value of the portfolio has decreased to £219.5m and once the costs of borrowing are taken into

Executive summary (continued)



Financial sustainability (continued)

account, the portfolio is making a net £2.9m revenue loss per annum. The reduction in capital value and income losses apply to all the District Council portfolios that Somerset Council has inherited.

We consider that the financial performance of the portfolio represents a significant risk to the financial sustainability of Somerset Council and represents a significant weakness in arrangements at each of the District Councils. Since vesting day Somerset Council has considered these risks and has approved the disposal of the commercial investment property portfolio. Somerset Council is currently developing an exit strategy to dispose of these commercial investments.

We have raised a key recommendation that **Somerset Council should ensure that proper governance arrangements are in place to oversee the disposal of the commercial investment property portfolio to ensure that best value is obtained as assets are disposed of.**

Dedicated schools grant

There is significant pressure on the High Needs Block of the Dedicated Schools Grant (DSG). Somerset County Council overspent on the DSG by £3.4m in 2022/23 and this pressure continues into 2023/24. The cumulative DSG deficit is forecast to rise to £96.2m by 31 March 2026, when the statutory override for ring fencing the deficit ends. It is not clear what the arrangements will be from 2026/27, but Somerset Council recognises this as a significant risk to financial sustainability and is taking mitigating actions to reduce the annual deficit.

Somerset County Council did have a DSG Deficit Management Plan in place for 2022/23. However, the Plan was not updated for 2023/24 as the Council understood that their participation in the Delivering Better Value Programme superseded the requirement for a specific Deficit Management Plan. The DfE has informed Somerset Council that it is required to develop a new Deficit Management Plan and submit this to the DfE in February 2024.

We consider that the growing DSG deficit and the £96.2m potential deficit forecast by March 2026, when the statutory override ends, to be a significant risk to the financial sustainability of the Council.

We have made a key recommendation that Somerset Council should develop a robust DSG Deficit Management Plan.



Executive summary (continued)



Governance

Local Government Reorganisation

As part of the transition to Somerset Council a new finance system, Microsoft Dynamics, was implemented from 1 April 2023. While the minimum agreed viable finance system was implemented from 1 April 2023, there have been weaknesses in the functionality of the system and associated processes since vesting day relating to budget monitoring, interfaces, cash allocation and invoice payment. This has impacted on the performance of the system, the information available to users and the audit of the financial statements for 2022/23. We have identified this as a significant weakness in arrangements during the transition to the new authority and is relevant to the County Council and each of the District Councils.

While Somerset County Council led the implementation of the new finance system, all predecessor council partners in Somerset had a role to play in ensuring sufficient resources were allocated to the system project team and in ensuring data was cleansed for migration into Microsoft Dynamics.

We have made a key recommendation **that Somerset Council should continue to develop the functionality of the Microsoft Dynamics finance system and resolve outstanding processes at pace.**

Good governance arrangements were established for the Local Government Reorganisation (LGR) programme that allowed for effective monitoring, timely reporting and the identification and management of risk to programme delivery. The predecessor councils in Somerset successfully transitioned to a safe and legal Somerset Council on 1 April 2023.

Somerset Council has started to establish the governance arrangements for the wider transformation programme, but there has been limited progress in developing transformation business cases and projects for delivery. LGR savings are being delivered more slowly than envisaged in the business case.

We have identified the absence of a Council-wide transformation programme as a significant weakness in the arrangements to deliver financial sustainability.

Risk management

The County Council and the District Councils each had adequate arrangements in place to identify, mitigate and report on risk and we have found no significant weaknesses in risk management arrangements for 2022/23.

The County Council and District Council risk registers contained most of the elements of best practice that we would expect to see. We note that risk mitigations were not reported in detail at Somerset West and Taunton Council. Risk reporting to Members would be strengthened at the County Council and for all District Councils if risks on the strategic risk register were mapped to corporate priorities.

We have raised an improvement recommendation that robust risk management reporting arrangements should be implemented at Somerset Council with consideration given to the strengths and weaknesses identified in each of the predecessor council arrangements.

Internal control

The County Council and each of the District Councils had an effective internal audit function in place for 2022/23, which was undertaken by the South-West Audit Partnership.

The Audit Plan was substantially delivered for each of the councils by March 2023 and this work informed the Head of Internal Audit's Annual Opinion. The County Council and the District Councils all received a "Reasonable Assurance" opinion for the overall control environment in 2022/23. There is no evidence of pervasive and significant weaknesses in the control environment for the County Council or District Councils for 2022/23.

Monitoring standards

Anti-fraud and corruption policies and whistleblowing policies were in place at the County Council and the District Councils during 2022/23. Member and Officer Codes of Conduct and policies for registering interests, gifts and hospitality were also in place during the year.

Executive summary (continued)



Governance (continued)

The County Council and District Councils undertook assessments of the maturity of their arrangements to prevent and detect fraud and corruption during 2020/21, with action plans in place to address weaknesses identified. The County Council and District Councils reported the progress made improving controls to their Audit Committees during the year.

We have raised an improvement recommendation that robust arrangements for preventing and detecting fraud and corruption should be implemented at Somerset Council with consideration given to the strengths and weaknesses identified in each of the predecessor council arrangements.

The Local Government and Social Care Ombudsman Annual Review Letter 2022/23 for Somerset County Council confirms that 25 complaints were upheld and in all these cases the Council successfully implemented the Ombudsman's recommendations. While the volume and outcome of complaints does not provide evidence of weakness in arrangements, the Ombudsman commented that during the year there were several occasions when investigations were delayed by the Council's failure to respond in a timely way and that a third of Council responses were late. There were also instances of poor-quality and incomplete responses.

We have raised an improvement recommendation that Somerset Council should ensure that there is sufficient capacity in place and staff are suitably trained in order to respond to Ombudsman investigations completely and within agreed timescales.



Improving economy, efficiency and effectiveness

Procurement and contract management

Arrangements to report procurement activity varied within each council during 2022/23.

We note that neither South Somerset District Council nor Somerset West and Taunton Council reported procurement waivers to the Audit Committee during 2022/23. Somerset West and Taunton Council was working to strengthen procurement arrangements following a limited assurance internal audit review in 2020/21. Due to limited resources in the run up to LGR some actions were not progressed, including rolling out procurement training across the Council.

We do not consider that there were any significant weaknesses with regard to the arrangements for procurement and contract management at the District Councils. We consider that an improvement recommendation would have been appropriate in relation to the procurement arrangements for South Somerset District Council and Somerset West and Taunton Council, to ensure that robust procurement arrangements are implemented with regard to waiver reporting and addressing remaining weaknesses from the internal audit review.

However, we have identified a significant weakness with regard to the contract management and procurement arrangements in place for 2022/23 at Somerset County Council. Internal audit provided two limited assurance opinions relating to procurement and contract management.

The internal audit review of contract management at the County Council found that the contract register contains outdated information, manager understanding and application of the requirements of contract management varied, and there were gaps in managers understanding of their contracts.

Executive summary (continued)



Improving economy, efficiency and effectiveness (continued)

The review of the Athena contract identified that the proper procurement process was not followed with responsible officers in the Adults Service not undertaking procurement training and not involving commissioners in the procurement process. Contract oversight was fragmented for this statutory service and invoices were not validated. A contract exit plan was not prepared in accordance with the contracted timescale and expenditure of £1.11m exceeded the contract value of £0.6m.

Due to the significant weakness identified at Somerset County Council we have raised a key recommendation **that robust procurement and contract management arrangements should be implemented at Somerset Council. Consideration should be given to the strengths and weaknesses identified in each of the predecessor council's arrangements.**

Performance management and benchmarking

Adequate arrangements were in place to monitor, manage and report service performance in 2022/23 for the County Council and the District Councils. While the frequency of performance reporting was reduced in 2022/23 due to local government reorganisation, the respective council Executives each received detailed performance reports during the year, and we have found no evidence of significant weakness in arrangements.

The District Councils did not have a corporate-wide approach to benchmarking the cost and performance of services to identify opportunities for improvement. Somerset County Council and Somerset Council can demonstrate greater use of benchmarking to understand cost drivers and identify opportunities for efficiencies.

The benchmarking we have carried out using the CFO Insights Tool has not identified any areas of significant weakness with regard to service efficiency for the District Councils. We have identified that the method for apportioning support service recharges to front line services for South Somerset District Council and Somerset West and Taunton Council was not reflective of true cost and so made benchmarking difficult. Benchmarking of County Council service costs identified Childrens Social Care as having a very high unit cost.

We have made a key recommendation as part of the financial sustainability work that Somerset Council should continue to develop and deliver mitigating actions to manage demand and costs within Children's Services.

We have raised a further improvement recommendation that robust arrangements should be implemented for benchmarking at Somerset Council. Consideration should be given to the strengths and weaknesses identified in each of the predecessor council's arrangements and a corporate approach to benchmarking should be developed. Somerset Council have subscribed to the CFO Insights tool and should ensure that it fully utilises its benchmarking capabilities.

Executive summary



Value for money arrangements and key recommendation(s)

Summary of actions for Somerset Council to address

Criteria	Recommendation	Relevant Council
Page 588 Financial sustainability	Significant weaknesses in arrangements identified and five key recommendations made relating to:	
	1) Developing and delivering mitigating actions to manage demand and costs in relation to Adult and Children’s Services.	Somerset County Council
	2) Implementing the transformation programme at scale and pace.	Somerset County Council Sedgemoor District Council Somerset West and Taunton Council South Somerset District Council
	3) Ensuring that proper governance arrangements are in place to oversee the disposal of the commercial investment property portfolio following the decision by Somerset Council to dispose of these investments.	Sedgemoor District Council Somerset West and Taunton Council South Somerset District Council
	4) Ensuring that General Fund and Earmarked Reserves are maintained at prudent levels in order to provide financial resilience.	Somerset County Council
	5) Developing a robust DSG Deficit Management Plan.	Somerset County Council
	In addition, two improvement recommendations have been made relating to:	
	1) Completing the review of the capital programme and challenging future capital bids in order to manage the capital financing requirement;	Somerset Council
	2) Continuing to review and align the legacy Housing Revenue Account (HRA) business plans inherited from predecessor councils to identify efficiencies and address the financial challenges identified to financial sustainability within the HRA.	Somerset Council

- R** Significant weaknesses in arrangements identified and key recommendations made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- G** No significant weaknesses in arrangements identified or improvement recommendation made.

Executive summary



Value for money arrangements and key recommendation(s)

Summary of actions for Somerset Council to address

Criteria	Recommendation	Relevant Council
Governance	Significant weaknesses in arrangements identified and a key recommendation made relating to:	
	1) Continuing to develop the functionality of the Microsoft Dynamics finance system and resolve outstanding processes at pace to ensure that the system supports efficient and accurate financial reporting.	Somerset County Council Sedgemoor District Council Somerset West and Taunton Council South Somerset District Council
	In addition, three improvement recommendations have been made relating to:	
	1) Implementing robust risk management reporting arrangements at Somerset Council.	Somerset County Council Sedgemoor District Council Somerset West and Taunton Council South Somerset District Council
	2) Implementing robust arrangements for preventing and detecting fraud and corruption at Somerset Council.	Somerset County Council Sedgemoor District Council Somerset West and Taunton Council South Somerset District Council
	3) Ensuring that there is sufficient capacity in place and staff are suitably trained in order to respond to Ombudsman investigations completely and within agreed timescales.	Somerset County Council

Page 589

Executive summary



Value for money arrangements and key recommendation(s)

Summary of actions for Somerset Council to address

Criteria	Recommendation	Relevant Council
Improving economy, efficiency and effectiveness	Significant weaknesses in arrangements identified and a key recommendation made relating to:	
	1) Implementing robust procurement and contract management arrangements at Somerset Council.	Somerset County Council Somerset West and Taunton Council* South Somerset District Council*
	In addition, an improvement recommendation has been made relating to:	
	1) Implementing robust arrangements for benchmarking service cost and performance at Somerset Council.	Sedgemoor District Council Somerset West and Taunton Council South Somerset District Council

* We do not consider that there were any significant weaknesses with regard to the arrangements for procurement and contract management at the District Councils. We consider that an improvement recommendation would have been appropriate to strengthen the procurement arrangements for Somerset West and Taunton Council and South Somerset District Council. However, for the purposes of this Auditor's Annual Report, a single key recommendation has been made in respect of procurement due to the significant weaknesses in arrangements identified at the County Council.

Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

Key recommendations

Key Recommendation 1

Somerset Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adults and Children's Services. Actions should include:
embedding and delivering the Adults and Children's Services transformation programmes; and
continuing to model and challenge demand and cost data to ensure budgets are based on accurate projections.

Identified significant weakness in arrangements

Due to the impact that the financial pressures within Adult and Children's Services are having on past and current overspends and on the budget gap for 2024/25, they represent a significant risk to the financial sustainability of Somerset Council.

Page 592

Summary findings

Adult and Children's Services each incurred significant overspends in 2022/23, driving Somerset County Council's net overspend of £23.4m.

Significant budget growth was included in the 2023/24 base budget for Somerset Council for both of these services, but significant overspends are still forecast as at the end of Month 7 (October 2023) for the year. Taking into account the budget growth and forecast overspend, Adult Services are forecast to require £42.9m additional resources and Children's Services £32.7m additional resources in 2023/24, in comparison to the 2022/23 base budget.

These financial pressures are forecast to continue into 2024/25. Pressures of £56.9m are modelled for Adult Services and £15.8m are modelled for Children's Services.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

Management comments are provided on the next page.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 1 (continued)

Somerset Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adults and Children's Services. Actions should include:
embedding and delivering the Adults and Children's Services transformation programmes; and
continuing to model and challenge demand and cost data to ensure budgets are based on accurate projections.

A detailed transformation programme is being implemented to create a council that is sustainable for the future. The "My life, My Future" Programme (Adults Transformation) and Children's Services Transformation are incorporated into this programme.

Whilst many services are demand-led and subject to delivery standards and statute, we are proposing savings where services are discretionary or no longer required, and to increase income where fees and charges can be maximised. Control Boards for Adults Social Care and Children's Services are now in place to review and challenge placements.

Next steps include:

Reviewing the assumptions and modelling on the Adult's budget in light of the National Living Wage increase and latest diagnostic from our partner Newton Europe.

Update the Children's budget with the findings from the Peopletoo deep dive into spend in Children's Social Care.

There is also on-going work to review and refine the demand modelling in Adults and Children's to ensure that it is robust and based upon the very latest data including the provisional local government finance settlement.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 2

Somerset Council should implement the transformation programme at scale and pace in order to address the significant structural budget deficit. This should include:

- embedding the emerging governance arrangements for the transformation programme;
- developing detailed business cases for Member and officer scrutiny and approval;
- fostering a culture of financial stewardship where the cost and levels of service are routinely and consistently challenged; and
- clearly determining the scope and interrelationship of transformational and transitional savings.

Identified significant weakness in arrangements

The transformation programme will need to be implemented at scale and at pace in order to bridge the significant structural budget gap and contribute to the Council's financial sustainability.

Summary findings

We identified in the Auditors Annual Report 2021/22 that adequate resources should be allocated to the planning and delivery of transformation. To date a Council-wide transformation programme has not been developed.

The budget for 2023/24 was based on LGR business case efficiencies and already established efficiency or income generation programmes. While there were some savings resulting from transformational activity in Adults and Children's Services, these services continue to overspend significantly in 2023/24 and savings are at risk or delayed. There was no Council-wide transformation programme to contribute to the 2023/24 budget.

There is no pipeline of savings for balancing the significant budget gap from 2024/25. The Council is now planning to bring forward the transformation programme and has started to develop the governance arrangements through the Transition and Transformation Board.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

Management comments are provided on the next page.

The range of recommendations that external auditors can make is explained in Appendix B.

Key recommendations

Key Recommendation 2 (continued)

Somerset Council should implement the transformation programme at scale and pace in order to address the significant structural budget deficit. This should include:

- embedding the emerging governance arrangements for the transformation programme;
- developing detailed business cases for Member and officer scrutiny and approval;
- fostering a culture of financial stewardship where the cost and levels of service are routinely and consistently challenged; and
- clearly determining the scope and interrelationship of transformational and transitional savings.

We are developing a comprehensive transformation programme to deliver our vision to be a smaller leaner council, employing fewer people, focusing only on the unique value the authority can provide. The purpose of this programme is to deliver the organisational design principles underpinning the vision: flexibility and agility, smaller and leaner council, driven by data and digitally enabled, sustainable and resilient.

The outline transformation programme Business Case is now being prepared, programme governance is agreed and will be implemented in the first quarter of 2024.

The programme will deliver several interrelated packages of activity, coordinated as a single comprehensive programme, overseen by a Transformation Board with assurance and challenge from Executive:

- Building a new Council
 - o Organisational Redesign & Innovation
 - o Workforce
 - o Partnerships & Devolution
 - My Life My Future (Adults Transformation)
 - Children's Services Transformation
 - Place shaping
 - Medium Term Financial Plan Savings

Transformation savings will be additional to savings laid out in the 2024-25 budget and Medium-Term Financial Plan.

The range of recommendations that external auditors can make is explained in Appendix B.

Management comments

Key recommendations

Key Recommendation 3

Somerset Council should ensure that proper governance arrangements are in place to oversee the disposal of the commercial investment property portfolio to ensure that:

- an exit strategy is developed that ensures best value is obtained as assets are disposed of;
- the income and financing risks associated with the commercial investment property portfolio are managed in the interim;
- there is monitoring of income, direct and indirect costs (including financing charges), with a comparison to the original business case for each asset;
- landlord responsibilities are discharged; and
- financial performance is reported to Members regularly to allow appropriate scrutiny and challenge.

Identified significant weakness in arrangements

The financial performance of the commercial property portfolio represents a significant risk to the financial sustainability of the Council.

Summary findings

Somerset Council has inherited a significant commercial investment property portfolio from the predecessor district councils. Largely due to the rise in interest rates since the investments were acquired, the capital value of the portfolio has decreased from £289.1m to £219.5m, a reduction of £69.6m (24%). Once the costs of borrowing are taken into account, the portfolio is making a net £2.9m revenue loss per annum, representing a negative yield of 1%.

Somerset Council Executive approved the disposal of the commercial investment portfolio in November 2023.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

Management comments are provided on the next page.

The range of recommendations that external auditors can make is explained in Appendix B.

Key recommendations

Key Recommendation 3 (continued)

Somerset Council should ensure that proper governance arrangements are in place to oversee the disposal of the commercial investment property portfolio to ensure that:

- an exit strategy is developed that ensures best value is obtained as assets are disposed of;
- the income and financing risks associated with the commercial investment property portfolio are managed in the interim;
- there is monitoring of income, direct and indirect costs (including financing charges), with a comparison to the original business case for each asset;
- landlord responsibilities are discharged; and
- financial performance is reported to Members regularly to allow appropriate scrutiny and challenge.

Generation of capital receipts from asset disposals is a key part of our financial strategy. We have agreed to dispose of our commercial property investments and have developed a pipeline of future disposals of surplus assets. The Executive have also approved the appointment of Jones Laing LaSalle as external agents to support us in this work.

A Member led Property and Investment Sub Committee are fully engaged in this work and the Executive have also tasked our Asset Management Group to bring forward asset disposals from assets held outside of the commercial investment portfolio, including council office rationalisation proposals. They are currently overseeing the disposal of 74 sites that have been declared surplus.

Subject to agreements and options, a total value in the range of £15m-£20m is targeted to be achieved from the current pipeline of approved disposals during 2023-24 and 2024-25.

Governance for this activity takes place through the Asset Management Group at a practical level, with formal democratic governance and oversight to ensure transparency.

The range of recommendations that external auditors can make is explained in Appendix B.

Key recommendations

Key Recommendation 4

Somerset Council should ensure that General Fund and Earmarked Reserves are maintained at a prudent level in order to provide financial resilience. There should be a focus on:

- urgently mitigating the 2023/24 budget overspend and bridging the 2024/25 and 2025/26 budget gaps in order to reduce their impact on reserves;
- continuing to review earmarked reserves to identify resources that can be reallocated to supporting financial resilience; and
- determining the minimum prudent level for General Fund Reserves in light of the continuing financial challenges that Somerset Council faces.

The range of recommendations that external auditors can make is explained in Appendix B.

Page 598

Identified significant weakness in arrangements

Failure to reduce the potential impact of financial pressures on reserves could result in Somerset Council having to issue a Section 114 Notice as soon as February 2024.

Summary findings

General Fund and Earmarked Reserves are under considerable pressure due to the forecast revenue overspend for 2023/24 and the budget gap identified for 2024/25. If the Month 7 2023/24 overspend of £18.3m is not mitigated, then the General Fund Balance will reduce to £31.5m which is at the lower end of the minimum prudent range of £30m-£50m established by the Council's S151 Officer. The current forecast budget gap of £82.5m for 2024/25 would reduce the General Fund Balance to zero and earmarked reserves to only £53.9m, with the potential for negative reserves by 2025/26. We recognise that the Council is already engaging with DLUHC in order to develop a range of mitigating actions.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

Management comments are provided on the next page.

Key recommendations

Key Recommendation 4 (continued)

Somerset Council should ensure that General Fund and Earmarked Reserves are maintained at a prudent level in order to provide financial resilience. There should be a focus on:

- urgently mitigating the 2023/24 budget overspend and bridging the 2024/25 and 2025/26 budget gaps in order to reduce their impact on reserves;
- continuing to review earmarked reserves to identify resources that can be reallocated to supporting financial resilience; and
- determining the minimum prudent level for General Fund Reserves in light of the continuing financial challenges that Somerset Council faces.

In addition to Executive and Scrutiny oversight, we have taken a range of actions to address the in-year budget position, including Control Boards for adults and children's care placements, establishment and recruitment, commercial and procurement, and spend over £100. By adopting the approach of operating as if a Section 114 notice has been issued, these and other actions have seen the in-year forecast overspend reduce from £28.6m to £18.3m. Our rigour and focus on this year's financial position will not reduce to drive this overspend down even further.

We have determined that our minimum level of reserves is £25m based on the council's risk appetite. This figure has been factored into our thinking, forecasting and activity to deliver savings. Total reserves could change following rationalisation of our capital programme and ability to use capital for transformation. We continue work to deliver the greatest level of savings for 2024-25 and beyond.

Ongoing activity includes reviews into:

- Earmarked Reserves to identify reserves that can be repurposed to support the budget.

- The level of corporate contingency budget (currently £6m) in the light of emerging budget proposals, risks and level of reserves.

- Financing costs in the light of capital programme, potential capitalisation direction and use of reserves.

Furthermore, we continue to engage with DLUHC concerning the 2024-25 budget and potential for an application for a capitalisation direction and flexibility for a Council Tax increase for 2024-25 above the referendum threshold without requirement for a referendum. If successful, this would enable the current £37.7m budget gap to be closed for 2024-25.

The range of recommendations that external auditors can make is explained in Appendix B.

Management comments

Key recommendations

Key Recommendation 5

Somerset Council should develop a robust Dedicated Schools Grant (DSG) Deficit Management Plan and ensure that sufficient resources are allocated to monitoring and reporting progress against the plan to Members and stakeholders such as the Schools Forum.

Identified significant weakness in arrangements

We consider that the growing DSG deficit and the £96.2m potential deficit forecast by March 2026, when the statutory override ends, to be a significant risk to the financial sustainability of the Council.

Summary findings

There is significant pressure on the High Needs Block of the DSG. Somerset County Council overspent on the DSG by £3.4m in 2022/23 and this pressure continues into 2023/24 with a forecast deficit of £38.1m at the year end. The cumulative DSG deficit is forecast to rise to £96.2m by 31 March 2026, when the statutory override for ring fencing the deficit ends. It is not clear what the arrangements will be from 2026/27, but Somerset Council recognises this as a significant risk to financial sustainability and is taking mitigating actions to reduce the annual deficit.

Somerset County Council did have a DSG Deficit Management Plan in place for 2022/23. However, the Plan was not updated for 2023/24 as the Council understood that their participation in the Delivering Better Value Programme superseded the requirement for a specific Deficit Management Plan. The DfE has informed Somerset Council that it is required to develop a new Deficit Management Plan and submit this to the DfE in February 2024.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

In line with the potential challenge of ending the statutory override, we are refreshing our Dedicated School Deficit Management Plan, and this is intended to be presented to our Children and Families Scrutiny Committee in February.

The range of recommendations that external auditors can make is explained in Appendix B.

Key recommendations

Key Recommendation 6

Somerset Council should continue to develop the functionality of the Microsoft Dynamics finance system and resolve outstanding processes at pace to ensure that the system supports efficient and accurate financial reporting. There should be a focus on:

- continuing to develop financial processes relating to interfaces, invoice payment and data validation to ensure that transactions are promptly and efficiently processed and that the data within the finance system is accurate and complete;
- developing standardised system generated budget monitoring reports for budget holders to ensure that timely and efficient budget monitoring arrangements are in place;
- ensuring that finance system users are adequately trained and understand their roles and responsibilities; and
- applying the lessons learned from the implementation of Microsoft Dynamics to future system implementations undertaken as part of the transformation programme.

The range of recommendations that external auditors can make is explained in Appendix B.

Page 601

Identified significant weakness in arrangements

The finance system should support timely, efficient and accurate financial processes. This is particularly important due to the financial challenges that Somerset Council is facing and the need for prompt and accurate financial monitoring.

Summary findings

A new finance system, Microsoft Dynamics, was implemented on 1 April 2023. While the minimum agreed viable finance system was implemented, which allowed for payment of invoices and collection of income, there have been weaknesses in the functionality of the system and associated processes since vesting day relating to budget monitoring, interfaces, cash allocation and invoice payment. This has impacted on the performance of the system, the information available to users and the audit of the financial statements for 2022/23.

Criteria impacted by the significant weakness



Governance

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

Microsoft Dynamics continues to be implemented, issues understood and resolved. A learning hub and access to Super Users is designed to be single channel for questions and feedback to the system can be embedded more effectively and lessons learned and acted upon at pace. Regular updates are shared with all users including new functionality or where data shows particular challenges for users or need to refresh on processes.

Key recommendations

Key Recommendation 7

Robust procurement and contract management arrangements should be implemented at Somerset Council, including: considering the strengths and weaknesses identified in each of the predecessor councils' arrangements; ensuring that procurement waivers are regularly reviewed by the Audit Committee; ensuring that staff receive appropriate procurement and contract management training; and addressing the weaknesses identified at Somerset County Council with regard to contract management and the Athena contract.

Identified significant weakness in arrangements

By considering the strengths and weaknesses identified in the arrangements of predecessor councils, Somerset Council can ensure that robust arrangements are implemented going forward and value for money is achieved through procurement and contract management.

Page 602

Summary findings

We have found no significant weaknesses in the District Councils' procurement or contract management arrangements. There was an opportunity to strengthen procurement arrangements at South Somerset District Council and Somerset West and Taunton Council, but the weaknesses noted regarding reporting of waivers and rolling out of training are not considered to be significant.

We have identified a significant weakness in arrangements with regard to contract management and procurement at Somerset County Council during 2022/23. Internal audit provided two limited assurance opinions relating to general contract management arrangements and to the procurement and contract management arrangements for the Athena contract.

Criteria impacted by the significant weakness



Improving economy, efficiency and effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

Management comments are provided on the next page.

The range of recommendations that external auditors can make is explained in Appendix B.

Key recommendations

Key Recommendation 7 (continued)

Robust procurement and contract management arrangements should be implemented at Somerset Council, including: considering the strengths and weaknesses identified in each of the predecessor councils' arrangements; ensuring that procurement waivers are regularly reviewed by the Audit Committee; ensuring that staff receive appropriate procurement and contract management training; and addressing the weaknesses identified at Somerset County Council with regard to contract management and the Athena contract.

Our priority is to find savings through efficiencies and improved practice before reducing services. This therefore includes tackling weaknesses in contracts and procurement to ensure value for money. We are reviewing the use of consultants, reducing bills associated with our estates (including through asset disposal) transforming our ICT infrastructure as our council reduces in size, removing other unnecessary contract spend and using grants and external funding in preference to calls on our revenue budget.

A Commercial and Procurement Control Board has been created to review and challenge all new commissions, annual uplifts in contracts, and contract renewals.

Our "No Purchase Order, no Pay" is putting robust procurement arrangements in place to ensure spend is subject to proper governance and decision-making, and that monitoring, and contract management is also robust.

Training has also begun with staff on implementation of the Public Procurement Act 2023.

The intent and actions outlined here also support mitigation of strategic risks relating to achieving a sustainable Medium Term Financial Plan and managing budget overspend.

The range of recommendations that external auditors can make is explained in Appendix B.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 29 to 61.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies;
- a failure to address and resolve relationship difficulties between senior officers and members;
- significant challenges associated with financial capability and capacity;
- a lack of compliance with procurement and contract management processes and procedures;
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)



Local context

Although Somerset is one of the ten most rural counties in England, one third of the population of approximately 564,000 live in one of the largest towns of Taunton, Yeovil, Bridgewater and Frome. With 1 in 4 residents over the age of 65, the county's age profile is weighted slightly towards people of older age. While average annual earnings within Somerset are lower than the UK average, the employment rate of 77.8% is higher than the national average of 75.6%.

The Secretary of State issued the Somerset Structural Changes Order 2022 in March 2022, which provided legislative backing to local government reorganisation in Somerset and for the establishment of a new unitary Somerset Council on 1 April 2023. Somerset Council replaced the existing councils within Somerset, comprising of Somerset County Council, Mendip District Council, Sedgemoor District Council, Somerset West and Taunton Council, and South Somerset District Council. Under the Structural Changes Order, Somerset County Council was the continuing authority, and therefore responsible for setting the 2023/24 budget for Somerset Council and for ensuring arrangements were in place for a successful transition to the new authority on vesting day.

The benefits of local government reorganisation in Somerset were set out in the One Somerset Business Case for a new single unitary council. Based on one-off implementation costs of £16.5m, ongoing annual savings from the transition to one council were identified of £18.5m. Additional benefits were identified that included creating new local opportunities, reducing bureaucracy, aligning services and putting the people of Somerset at the heart of the new authority.

The Somerset Structural Changes Order approved the May 2022 local elections to appoint 110 councillors to Somerset County Council. From 1 April 2023 these 110 councillors were responsible for the services previously provided by the county and four district councils. The elections held in May 2022 have resulted in the following political make-up of the Council: Liberal Democrat 61; Conservative Party 36; Labour 5; Green Party 5; Independent 3.

Grant Thornton UK LLP is the appointed auditor for Somerset County Council, Sedgemoor District Council, Somerset West and Taunton Council, and South Somerset District Council. Due to local government reorganisation, the 2022/23 financial year was the last year that these councils existed as sovereign organisations. This joint Auditor's Annual Report therefore combines the findings from our value for money audit work for 2022/23 for these four councils.

Financial sustainability



We considered how the Council:

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans

plans to bridge its funding gaps and identify achievable savings

plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Outturn 2022/23

Local authorities are facing increasing financial challenges due to the cost-of-living crisis, inflation and increasing demand for services. Financial pressures are particularly acute for upper tier authorities who provide Adults and Children's Services. Against this background the District Councils delivered modest surpluses for 2022/23, while Somerset County Council incurred a £23.4m overspend against the approved budget. The continuing cost pressures within Adult and Children's Services represents a significant risk to the financial sustainability of Somerset Council.

Somerset County Council and the District Councils all set balanced budgets for 2022/23, setting out their expenditure plans for the last year that they would operate as separate sovereign organisations. Budget management and forecasting was challenging during the year due to the impact of inflation, rising interest rates, and increased demand for services after the pandemic.

We have found no areas of significant weakness with regard to the 2022/23 budget setting or monitoring processes for Somerset County or the District Councils.

The District Councils within Somerset delivered underspends against the approved budget for 2022/23. This position was achieved largely through increased service income, additional grants, and increased investment income due to the higher base rate. The positive outturn position allowed for additional contributions to reserves or reduced reliance on the use of reserves to balance budgets.

The budget outturn position for Somerset County Council was a £23.4m deficit as at 31 March 2023. The overspend was funded from the General Fund balance, reducing it to £3.7m at the year-end in comparison to a minimum recommended balance of between £20m - £30m.

The main drivers for Somerset County Council's deficit were Adult

Services (£15.4m overspend) and Children's Services (£21.2m overspend) due to increased demand and cost of care. The increasing cost of these services is a national issue for upper tier councils.

These cost pressures are continuing into 2023/24 and 2024/25 and represent a significant risk to the financial sustainability of Somerset Council.

We have considered these demand led services in more detail elsewhere in this Auditors Annual Report. We have made a key recommendation that Somerset Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adult and Children's Services.

The consolidated outturn position for the Somerset councils is set out in Figure 1, resulting in a net overspend of £19.8m. This net position includes Mendip District Council's year end position.

Figure 1: Budget Outturn Position 31 March 2023

Council	Outturn 2022/23 Overspend / (Underspend) £m
Somerset County Council	23.4
Mendip District Council	(0.8)
Sedgemoor District Council	(1.1)
Somerset West and Taunton Council	(1.0)
South Somerset District Council	(0.7)
Net Somerset outturn position *	19.8m

* This position will be finalised once the audit of the financial statements 2022/23 is complete.

Financial sustainability (continued)

Budget 2023/24

The 2023/24 budget setting process for Somerset Council continued through 2022/23. Each predecessor council forecast a budget gap for their services in 2023/24, with the total forecast budget gap growing to £74.2m by November 2022 due to the impact of inflation, rising interest rates and demand. Somerset County Council approved the 2023/24 budget for Somerset Council in February 2023. A balanced budget was set which protected front line services with the recognition that Members would need to make difficult choices in the future to create financial sustainability. The Month 7 (October) 2023/24 budget monitoring report forecasts a revenue budget overspend of £18.3m with cost pressures from 2022/23 continuing into 2023/24 and future years. The Council recognises that the scale of the forecast overspend could undermine its financial sustainability if not adequately mitigated.

Budget setting 2023/24

Somerset County Council, as the continuing authority under the Structural Change Order, was responsible for approving the financial strategies and budgets that relate to the new Somerset Council from 1 April 2023.

We reviewed the budget setting arrangements to set a balanced budget for 2023/24 in detail as part of our value for money audit in 2021/22. We found elements of good practice relating to Member engagement, early consideration of the predecessor council budget proposals, and the development of the medium-term financial strategy during 2022/23.

We reported in the Auditors Annual Reports 2021/22 that although robust budget setting arrangements were in place, it would still be a significant challenge to deliver a balanced budget for 2023/24 due to the level of savings required. Key risk areas relating to the budget were identified as the scale of the commercial investment property portfolio funded principally from short term borrowing, the size of the capital programme, the capital financing requirement, and reserves levels.

When the predecessor councils were setting their 2022/23 budgets in February 2022, a forecast budget gap of £28.6m was forecast for Somerset Council in 2023/24. It should be noted that all of the predecessor councils in Somerset were forecasting significant budget gaps for 2023/24. In the absence of local government reorganisation from 1 April 2023, all

local authorities in Somerset would have been required to rapidly identify and deliver significant levels of savings to balance their 2023/24 position.

The budget gap grew during 2022/23 with each subsequent iteration of the Medium-Term Financial Strategy as demonstrated in Figure 2. Due to the impact of inflation, rising interest rates and increasing demand for services, a budget gap of £74.2m was forecast by November 2022.

In addition to the scale of savings required, setting a balanced budget for 2023/24 was made more challenging as the new unitary council was not yet established. The operating model, corporate plan and staff structure were all under development as part of LGR workstreams.

Figure 2: Somerset Council Budget Gap Projections 2023/24

Council	Estimated Gap 23/24 £m
Forecast February 2022:	
Mendip	1.9
Sedgemoor	2.8
Somerset West and Taunton	5.2
South Somerset	4.5
Somerset County Council	14.2
Total Forecast Gap Feb 2022	28.6
Updates July 2022:	
Assumed District budget inflation	1.5
Somerset County Council	14.4
Total Forecast Gap July 2022	44.5
Updates November 2022:	
Additional inflationary and demand pressures	29.7
Total Forecast Gap November 2022	74.2

Financial sustainability (continued)

Budget 2023/24 (continued)

Work to develop the Somerset Council budget for 2023/24 continued through 2022/23. The Somerset County Council Executive approved the Somerset Council Medium Term Financial Plan in July 2022. This included a high-level strategy for balancing the budget comprising efficiency savings, service level reviews, income generation and asset management.

The November 2022 Medium Term Financial Plan Update identified savings and income generation proposals of £27.8m which were based largely on the delivery of the LGR Business Case, transformation projects already approved, and income generation.

Somerset County Council approved the 2023/24 budget for Somerset Council in February 2023. A balanced budget was set with the recognition that Members would need to make difficult choices in the future to create financial sustainability. The budget for 2023/24 reflected the local government finance settlement and financial planning assumptions were clearly set out in the budget report.

The budget gap identified in November 2022 was balanced through a combination of measures. These included £40.8m of savings, a £10.0m contribution from reserves, increased Council Tax income through additional referendum flexibilities, and favourable grant settlements including New Homes Bonus.

The focus for the 2023/24 budget was to protect front line services, with the budget delivered through delivering LGR business case savings relating to staff restructures, efficiencies from combining local authorities.

These LGR savings and other efficiencies total £40.8m for 2023/24 and include:

- Non-Directorate savings (£11.0m) including reduced pension costs and LGR staff savings;
- Resources (£4.7m) including dividends from council-owned companies;
- Climate & Place (£7.7m) including the full implementation of Recycle More;
- Adults Services (£10.5m) including use of Disabled Facility Grant funding and estimated process improvement savings; and

Children's Services (£4.6m) reflecting reduced numbers of looked after children and diagnostic review of the service.

Budget monitoring position 2023/24

The Month 6 budget monitoring report provided a forecast for savings delivery for 2023/24. At this point £11.1m of the savings target of £40.8m were at risk or unachievable (27%), including Adults Services (£4.8m) and Childrens Services (£1.8m) due to delays in delivering transformational and staff savings. There were also £1.3m of LGR staff savings at risk.

The Month 5 (August) 2023/24 budget monitoring report presented to Executive in November 2023 forecast a revenue budget overspend of £27.3m, largely driven by Adult Services (£14.9m overspend) and Children's Services (£11.8m overspend). The budget monitoring report recognised that the magnitude of the overspend could potentially undermine Somerset Council's financial sustainability and potentially require a Section 114 notice to be issued. The Section 114 Notice would suspend all expenditure apart from spend on statutory services for 2024/25 due to insufficient resources, including the exhaustion of General Fund reserves. This deteriorating position precipitated the Council engaging with DLUHC setting out their concerns and seeking support to identify mitigations.

There are indications that the Council is making some progress in mitigating the overspend for 2023/24, with the latest forecast showing an improvement of £9.0m with a year-end overspend of £18.3m. This level of overspend would reduce the General Fund Reserve to £31.5m against the minimum prudent level of £30m. Therefore, while the current level of forecast overspend can be accommodated within the General Fund Balance, it will reduce the reserve to the minimum prudent level at a time of significant financial risk.

The cost pressures that contributed to the 2022/23 overspend have continued into 2023/24, and are likely to continue into 2024/25 and beyond, creating ongoing budget pressures in the future. Cost and demand pressures are being compounded by shortfalls in the delivery of the benefits envisaged from LGR and other service savings.

Financial sustainability (continued)

Budget 2023/24 (continued)

We have made a key recommendation elsewhere in this report that Somerset Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adults and Childrens Services. We have also considered Somerset Council’s approach to delivering savings through transformation and made a further key recommendation that the transformation programme should be developed and implemented at pace.

Medium term financial planning and budget 2024/25

Financial planning in 2022/23 concentrated on balancing the budget for the new unitary authority for 2023/24. Subsequent financial planning undertaken by Somerset Council has identified a significant budget gap, before one-off mitigations, for 2024/25 of £82.5m as at January 2024. Somerset Council has a structural budget gap where costs are increasing at a higher rate than council tax can be increased. The financial challenges that Somerset Council faces are a significant risk to financial sustainability. The Council is responding to these challenges through emergency governance arrangements to reduce spend and identify efficiencies, as well as bringing forward the transformation programme. We have raised a key recommendation that Somerset Council should now implement the transformation programme at scale and pace in order to address the significant structural budget deficit.

Forecast budget gap and budget 2024/25

During 2022/23 financial planning was understandably focused on balancing the budget for 2023/24, the first year of operation for the new Council. Detailed financial planning for future years was made more difficult without first establishing the base budget for Somerset Council.

The Medium-Term Financial Plan (MTFP) update that accompanied the Budget Report in February 2023 forecast a budget gap of £41.6m in 2024/25, rising to a cumulative annual gap of £45.5m in 2025/26. The report highlighted that the budget process for 2024/25 would need to start early with a rolling budget approach that would include early implementation of savings plans.

The July 2023 Medium Term Financial Strategy (MTFS) forecast an annual cumulative budget gap of £98.8m by 2026/27 and recognised that it was imperative that action is

taken to identify significant savings. A targeted approach was identified that included focusing on 17 key budget areas, reviewing MTFP assumptions, and identifying service budget options to develop savings pipeline.

Due to the forecast budget gap and financial pressures that the Council is facing, the July 2023 MTFS raised “the very real prospect of a Section 114 Notice” having to be issued.

The November 2023 MTFS Update identifies that Somerset Council has a structural budget problem with the cost base increasing at a significantly higher rate than income. This is due to high inflation rates impacting cost while referendum limits restrict the amount that the Council’s main source of income, council tax, can be increased.

The November 2023 MTFS forecast a significantly larger budget gap for 2024/25 of £100.0m due to increasing cost and demand pressures within Adults and Children’s Services. The latest forecast, as at January 2024, is a budget gap of £82.5m in 2024/25. The Council can reduce the £82.5m gap using one-off resources from reserves and the collection fund surplus to £37.9m. The annual cumulative budget gap rises to £137.3m by 2026/27. The changes to the forecast annual cumulative budget gap reported to Members is demonstrated in Figure 3.

Figure 3: Somerset Council Budget Gap Projections 2024/25 and 2025/26

	Annual Cumulative Gap 24/25 £m	Annual Cumulative Gap 25/26 £m	Annual Cumulative Gap 26/27 £m
Budget Report 2023/24	41.6	45.5	Not reported
MTFS (July 2023)	41.6	45.5	98.8
MTFS (November 2023)	100.0	142.0	183.0
Revenue Budget Update (December 2023)	87.0	114.8	144.2
Revenue Budget Update (January 2024)	37.9	105.1	137.3

Therefore, in the absence of recurring savings being delivered, the one-off resources required to support the budget gaps identified from 2024/25 to 2026/27 are £280.3m.

Financial sustainability (continued)

Medium term financial planning and budget 2024/25 (continued)

Somerset Council response to financial challenges

Due to the scale of the budget overspend forecast of £18.3m for 2023/24 and the significant budget gap of £82.5m identified for 2024/25, which both need to be resolved at pace before March 2024, the S151 Officer wrote to the Department for Levelling Up, Housing and Communities (DLUHC) on 26 September 2023 to highlight the financial challenges that the Council is facing.

We wrote to Somerset Council on 17 October 2023 to express our concerns over the significant financial challenges that the Council is facing and the risk they represent to financial sustainability.

The Council currently has a General Fund Balance of £49.8m and £104.9m of earmarked reserves. Unless the forecast overspend for 2023/24 is mitigated and actions are taken to significantly reduce the budget gap for 2024/25, there is a risk that unsustainable calls will have to be made on reserves, reducing them to levels that are insufficient to manage financial risk and fund service improvements in the future.

As part of our value for money audit work, we have considered how Somerset Council is responding to the financial challenges it faces and the actions that it is taking to reduce the 2023/24 overspend and 2024/25 budget gap.

The Council has implemented additional governance arrangements, budget processes and controls on expenditure, including:

- a programme of Member briefings to provide a detailed understanding of the financial situation, its drivers, and mitigating actions;

- MTFP Board set up, comprising of Executive Members and officers from the Executive Leadership Team to coordinate the budget process;

- establishment of a Financial Focus Group to develop the financial plan and review key areas such as Adult Services, Children's Services, and the capital programme;

- budget options and challenge sessions held with Directors to develop savings options and challenge financial pressures;

- dialogue with DLUHC regarding an application for a capitalisation direction to allow revenue costs to be funded from capital resources;

- a review of earmarked reserves is underway to identify what reserves can be released to support the Council's financial position;

- bringing forward the transformation programme to generate savings earlier than planned in 2024/25;

- Somerset Council declared a financial emergency on 26 September 2023 in order to provide a corporate response with emergency governance arrangements reflecting the seriousness of the Council's financial position; and

- Recruitment, Commercial and Procurement, and Spend Control Boards have been established as part of the emergency governance arrangements to reduce discretionary spending and ensure that expenditure meets agreed criteria.

The latest estimate of the budget gap for 2024/25 is £82.5m which is too large to bridge through the budget process. The Council can reduce this gap using one-off resources from reserves and the collection fund surplus to £37.9m. The Council is in discussion with DLUHC to bridge the remaining £37.9m budget gap through increasing council tax by 5% above referendum principles (generating an additional £17.1m) and through a capitalisation directive of £20.8m. If DLUHC does not agree to these dispensations, then the Council will be forced to issue a Section 114 Notice to suspend all expenditure on non-statutory services for 2024/25.

If the Council is issued with a capitalisation direction from DLUHC, it will be able to fund revenue expenditure from capital funds. This will not solve the structural budget gap for Somerset Council, but would allow the 2024/25 budget and potentially the 2025/26 to 2026/27 budgets to be balanced. The granting of a capitalisation direction would also add to Somerset Council's financial pressures in the medium term due to the 1% premium charged for PWLB borrowing. There are also potential additional financing costs if the capitalisation direction has to be funded from additional borrowing.

The Council awaits the outcome of discussions with DLUHC on whether additional council tax flexibilities and a capitalisation direction will be approved and the period that it will cover. Regardless of any additional dispensations granted, the Council will need to work at pace in order to balance the financial position in the short to medium term.

Financial sustainability (continued)

Medium term financial planning and budget 2024/25 (continued)

Transformation programme and LGR savings

We raised an improvement recommendation in each of the County Council and District Council Auditors Annual Reports 2021/22 that adequate resources should be allocated to the planning and delivery of transformation and that business-as-usual activities be reviewed to create capacity. Transformation is required to reduce the structural budget deficit and to bridge the significant budget gaps that need to be addressed urgently.

Page 612

The budget for 2023/24 was based on LGR business case efficiencies and already established efficiency or income generation programmes (for example Recycle More and company dividend distribution). While there were some savings resulting from transformational activity in Adult and Children's Services, there was no Council-wide transformation programme to contribute to the 2023/24 budget.

While efficiencies of £40.8m were built into the 2023/24 budget, there was not a significant pipeline of savings identified for future years when this budget was set. Identified savings as at February 2023 totalled £4.2m for 2024/25 and £6.2m for 2025/26.

The Somerset Council Interim Transition and Transformation Board (TTB) has met regularly since April 2023 with the objective of overseeing the planning and mobilisation of the transition and transformation programmes. The main areas of work that the Board has overseen relate to the Adult transformation programme, local government staff restructure savings, and reviewing the governance arrangements for the transformation programme.

The TTB became the Transformation Board in September 2023 with revised terms of reference to provide strategic overview of the transformation programme, manage risks and opportunities, and deliver LGR business case objectives and MTFP projects. At this point 60 transition projects and 7 transformation projects had been identified.

Therefore, while during 2023/24 the Council has started to establish the governance arrangements for the wider transformation programme, there has been limited progress in developing transformation business cases and projects for delivery. The S151 Officer's letter to DLUHC on 26 September 2023 confirms that there is no Council-wide transformation

programme and there is no pipeline of savings that can be built into the MTFP.

From discussions with the S151 Officer and Chief Executive we understand that the strategy is to bring forward the transformation programme so that it can start to deliver savings from 2024/25. The transformation programme will seek to right-size Somerset Council through new operating models and automation of processes, determining service levels, and reducing the workforce.

The transformation programme will need to be implemented rapidly and at scale in order to bridge the significant structural budget gap. Although the Council needs to deliver rapid transformation, it should ensure that any plans are based on robust and detailed business cases that are sufficiently scrutinised by both Members and senior managers prior to approval. The business cases should set out the objectives of transformation, the costs of implementation, and the forecast financial and service benefits.

Transformation should also be supported by an appropriate organisational culture, where service costs and levels of service are routinely and consistently challenged and there is corporate ownership for solving the budget gap. Governance arrangements and Council policies should support efficient decision making and implementation of savings plans, while ensuring the proper scrutiny and approval of proposals.

The Council will need to determine how the savings identified in the LGR business case correlate with the rapidly emerging transformation programme. The LGR business case identified on-going transition savings of £18.5m within 2 years of vesting day. As at November 2023 we understand that £17.7m of savings were forecast to be delivered in the three-year period to 2025/26 and so savings are being delivered at a slower rate than envisaged in the business case. Budget monitoring for Month 6 identifies £1.3m of planned LGR staff savings are at risk for 2023/24. While the Council is currently recruiting to tier four of the new management structure, Somerset Council will need to accelerate the level of staff savings delivered in order to balance the budget gap.

The Council will need to be clear on the scope and interrelationship of transformational and transitional savings as it undertakes what will necessarily be a large and complex programme of change to balance the financial situation.

Financial sustainability (continued)



Adult Social Care

Single and upper tier Councils are responsible for providing adult social care (ASC) services to help adults of all ages who may need additional support to stay well, safe and where possible to live independently.

ASC represents a significant part of Council spending with £19bn being spent in 2021/22 with budgeted expenditure rising to £19.7bn in 2022/23, reflecting growing demand.

There have been several reforms to ASC funding for Councils over recent years, including the introduction of the better care fund and giving Councils the power to raise additional revenue locally through Council Tax (the social care precept). Despite these changes Councils are delivering ASC services within a challenging environment that is shaped by more people, particularly working-age adults, requesting support, an ageing population and increasing complexity of need. These factors are being managed by Councils alongside financial challenges such as the impact of inflation, acute workforce pressures, the sustainability of commissioned ASC providers and uncertainty around longer term ASC funding and reform. Despite these pressures Councils will need to establish sufficient capacity to track and then transform service delivery to meet the challenges of evolving need and demand.

Medium term financial planning and budget 2024/25 (continued)

We have identified the absence of a Council-wide transformation programme as a significant weakness in the arrangements to deliver financial sustainability, having previously identified that the Council should ensure that adequate resources are allocated to the planning and delivery of transformation.

We have raised a key recommendation that Somerset Council should now implement the transformation programme at scale and pace in order to address the significant structural budget deficit.

Demand led services

There are various demand led services within the Council, but the services with the most significant financial pressures are Adult Services and Children's Services due to increases in demand and in the cost of care. These financial pressures were key drivers to the overall financial position of Somerset County Council and continue to significantly impact the financial position of Somerset Council, representing a significant risk to financial sustainability.

As demonstrated in Figure 4, Adult and Children's Services both overspent significantly in 2022/23, driving Somerset County Council's net overspend of £23.4m.

Significant budget growth was included in the 2023/24 base budget for Somerset Council for both these services, with significant overspends forecast as at Month 7 2023/24 in addition to this growth. Taking into account the budget growth and forecast overspend, Adult Services are forecast to require

£42.9m additional resources and Children's Services £32.7m additional resources in 2023/24 in comparison to the 2022/23 base budget.

These financial pressures are forecast to continue into 2024/25, and again are key drivers for the forecast budget gap of £82.5m. Pressures of £56.9m are modelled for Adult Services and £15.8m are modelled for Children's Services.

Due to the impact that the financial pressures within Adult and Children's Services are having on past and current overspends and on the budget gap for 2024/25, they represent a significant risk to the financial sustainability of Somerset Council.

We have made a key recommendation that Somerset Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adult and Children's Services.

Figure 4: Adult and Childrens Services Financial Pressures

	Adult Services £m	Children's Services £m
Overspend 2022/23	15.4	21.2
Budget Growth 2023/24	28.0	18.8
Forecast Overspend M7 2023/24	14.9	13.9
Total Additional Resource 2023/24	42.9	32.7
Forecast Growth 2023/24 to 2024/25	56.9	15.8

Financial sustainability (continued)

Demand led services (continued)

Adult Services

Increasing demand, increasing complexity of need, and the rising costs of care are recognised as driving the budget growth within Adult Services. Somerset County Council, and now Somerset Council, has embarked on an adult transformation programme to mitigate the increases in demand and cost of care.

Adult Services are one of the 17 key budget focus areas identified in the MTFP and one of the key actions for the Financial Focus Group is to review the 2023/24 overspend and forecast gap for 2024/25. A deep dive session has been held to review data and modelling relating to adult social care demand and cost, and to identify opportunities to generate savings.

Somerset County Council engaged an external partner, Newton Europe, in November 2022 to undertake a diagnostic review across Adult Services in order to identify opportunities for controlling spend and managing demand.

The review identified three areas of focus to improve outcomes:

- improving the environment in which practitioners operate;
- ensuring the right care is available in the right place at the right time; and
- optimising intermediate care, especially discharge and reablement services.

Enablers to achieve improvements are identified as:

- workforce development to improve productivity;

- optimising the process of sourcing care;
- developing performance and financial monitoring; and
- developing the use of technology.

The Council has now engaged Newton Europe as a strategic change partner to deliver transformational change by implementing the opportunities identified in the diagnostic review. Savings opportunities of £14.2m per annum have been identified, with a stretch target of £17.2m by 2026/27.

The Council has agreed a contingent fee payable to Newton Europe, based on the delivery of at least a £10.0m annual saving, but with an annual target of £14.2m.

Progress on the adult transformation programme, My Life, My Future, is reported to the Somerset Council Transformation Board. A programme consisting of five workstreams has been mobilised and the design and implementation of solutions will be delivered over the next 12-18 month period.

Governance arrangements are in place for the adult transformation programme with a Programme Steering Group, supported by a Project Initiation Working Group, reporting to the Transformation Board.

Children's Services

Children's Services are also one of the 17 key budget focus areas identified in the MTFP and the Financial Focus Group has carried out a deep dive review of the cost drivers, trend analysis and demand modelling for the service.

Trend analysis identifies increases in the number of Education, Health and Care plans, increases in the number of external



Children and Young People - Social Care

Single tier councils and county councils spent £12.2 billion in 2021/22 and have increased their budget to £12.7 billion in 2023/24 as demand for children's social care services have increased. Councils have a statutory duty to safeguard and promote the welfare of children at risk. A range of services can be provided including support to families as well as keeping children safe from harm and providing services for those children who are 'looked after' by the council. In recent years there has been an increase in demand with an increase in the number of child protection places and looked after children, as well as an increase in complexity of the needs of the children.

The increase in demand and complexity has resulted in an increase in the cost of individual residential placements which are often not local and outside the Council's geographical locality as well as private and agency foster carers. Many councils have failed to model and anticipate the increase in demand and as a result lack sufficient local quality provision and are now actively trying to meet this challenge.

Financial sustainability (continued)

Demand led services (continued)

placements and a reduction in the number of in-house foster care placements. External placement numbers have increased by 19% with costs increasing by 101% between 2020/21 and 2022/23. The trend for placement numbers and placement days is continuing to increase for 2023/24.

Somerset Council is in the process of implementing a transformation programme to deliver the efficiency opportunities identified through a diagnostic review by Impower. The diagnostic review identified potential savings and cost avoidance measures of up to £8.1m over three years.

Three key areas have been identified as transformation priorities for Children's Services:

sufficiency – ensuring there are adequate resources to predict demand and manage need through increasing the number of in-house foster careers and children's home places;

efficiency – working with Connect Somerset to develop neighbourhood teams and multi-agency community hubs for the effective delivery of early help and support for children with special educational needs and disabilities; and

managing risk – improving the early identification of need and effective intervention to reduce escalation to high needs and reduce school exclusions.

Commercial investment property portfolio

Somerset Council has inherited a significant commercial investment property portfolio from the predecessor district councils with acquisition costs of £289m and gross income of £20m. The scale of the commercial investment property portfolio represents a significant financial risk in relation to income generation, financing costs and capital value. Since vesting day Somerset Council has considered these risks and has approved the disposal of the commercial investment property portfolio and is currently developing an exit strategy to dispose of these commercial investments.

In the years prior to 2022/23 the District Councils in Somerset built up significant commercial

investment property portfolios as part of their commercial strategies to generate additional income to support the delivery of services and balance the medium-term financial plan. Somerset County Council has not undertaken such property investments purely for yield.

HM Treasury sought to restrict the use of PWLB funding where councils were planning to invest in assets purely for yield from December 2020, in order to discourage this type of investment. A revised CIPFA Prudential Code was published in December 2021 which confirmed that capital investment purely for yield is not prudent activity for local authorities.

Somerset Council has inherited a significant commercial investment property portfolio with a purchase price of £289.1m and gross income of £20m. The portfolio was acquired during a period of low interest rates, but, in the main, short-term borrowing was secured to fund the assets rather than locking in longer-term low-cost borrowing. The majority of the portfolio is funded from borrowing of £281.6m (97%), of which £231.2m is short term or internal borrowing, thus increasing refinancing risk in a period of rising interest rates.

Somerset Council has undertaken a detailed review of the commercial investment property portfolio that was transferred on vesting day, with commercial investment properties identified as one of 17 key budget areas to consider as part of the medium-term financial strategy. This has identified that largely due to the rise in interest rates since the investments were acquired, the capital value of the portfolio has decreased from £289.1m to £219.5m, a reduction of £69.6m (24%). Once the costs of borrowing are taken into account, the portfolio is making a net £2.9m revenue loss per annum, representing a negative yield of 1%. While the investment strategies of predecessor councils varied, net yields of at least 2.4% were originally anticipated.

This position is set out in Figures 5 and 6, which demonstrate that the capital and income losses apply across the predecessor council commercial investment property portfolios.

Financial sustainability (continued)

Commercial investment property portfolio (continued)

Figure 5: Predecessor Council Commercial Investment Property Portfolio Performance

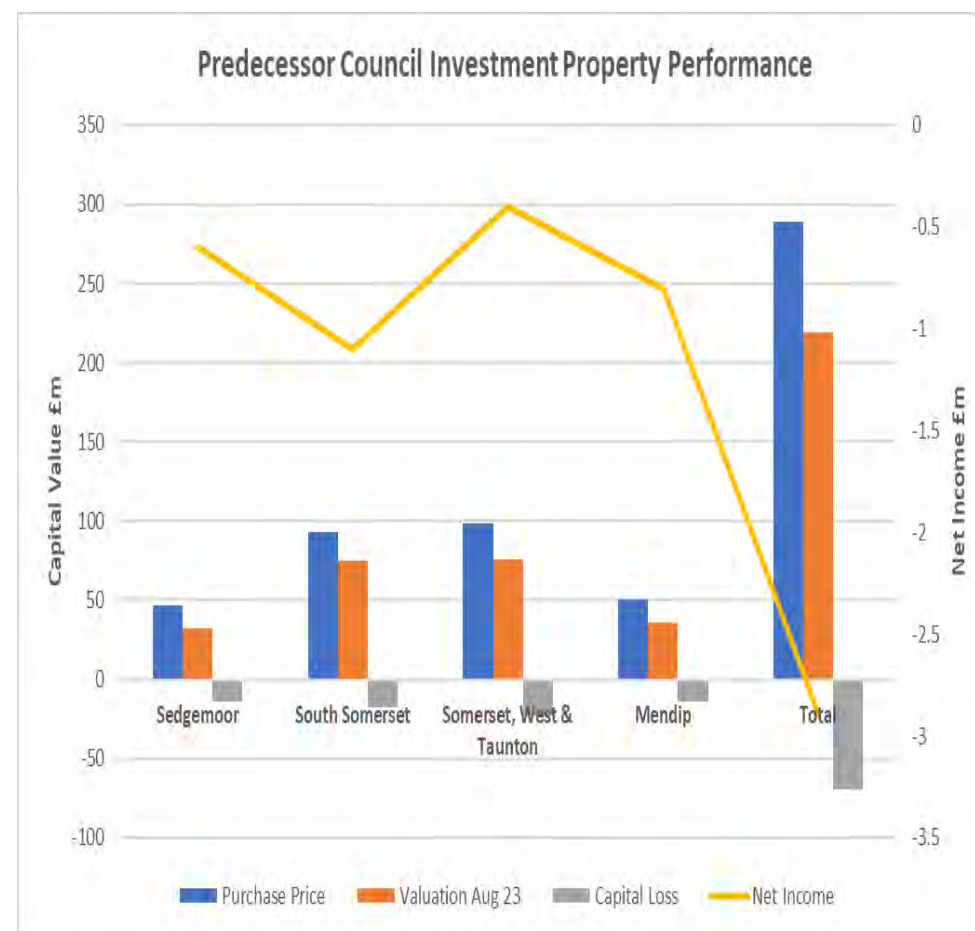
District Council	Purchase Price £m	Valuation Aug 2023 £m	Capital Loss £m	Net Income £m	Net Yield %
Sedgemoor	46.5	32.2	-14.3	-0.6	-1.21%
South Somerset	93.2	75.3	-17.9	-1.1	-1.19%
Somerset, West and Taunton	98.9	75.9	-23.0	-0.4	-0.45%
Mendip	50.4	36.1	-14.3	-0.8	-1.57%
Total	289.1	219.5	-69.6	-2.9	-1.01%

Page 616

The County Council and District Council Auditors Annual Reports 2021/22 identified the scale of the commercial investment property portfolio that Somerset Council would inherit as a key budget risk. We raised an improvement recommendation to address this through the 2023/24 budget process by determining the approach for holding, financing and mitigating risk relating to commercial investment property. Somerset Council has taken appropriate action to address this recommendation.

Somerset County Council, as the continuing authority, approved the Somerset Council Non-Treasury Investment Strategy in February 2023. The Strategy confirms that the new unitary authority will not acquire any new commercial investment properties primarily for yield, but that modelling would be undertaken to determine the net return achieved from assets and options for disposal, financing and risk mitigation reviewed.

Figure 6: Predecessor Council Commercial Investment Property Portfolio Performance



Financial sustainability (continued)

Commercial investment property portfolio (continued)

Somerset Council Executive approved the disposal of the commercial investment property portfolio in November 2023 in order to reduce financial risk associated with declining asset values and increased financing costs that are making the portfolio unprofitable. The resultant capital receipts can be used to either reduce the Council's capital financing requirement or fund the costs of transformation.

Somerset Council is currently working to develop an exit strategy to dispose of the commercial investment property portfolio. More financial modelling will be undertaken to inform the exit strategy and to identify which assets to dispose of and the timetable for disposal. The Council has approved the formation of a Property and Investment Sub Committee to ensure appropriate governance arrangements are in place and that commercial property is properly managed pending any disposal.

We note that internal audit provided a limited assurance opinion for the commercial rent audit at South Somerset District Council in January 2023. Weaknesses were found with regard to the maintenance of property and tenancy management records and documentation of procedures. While Somerset Council retains commercial investment properties, it should ensure that weaknesses identified in predecessor council arrangements are addressed and property management arrangements are robust.

While recognising that Somerset Council has approved the disposal of the commercial investment property it has inherited, we consider that the financial performance of the portfolio represents a significant risk to the financial sustainability of the Council. Commercial investment property, after taking into account borrowing costs, is forecast to make a loss of £2.9m in 2023/24 and so is not achieving the original business objectives of supporting the delivery of services. The Council is also considering an exit strategy at a time when commercial investment property values are significantly suppressed due to high interest rates and will need to consider how best to achieve value for money as assets are disposed of.

We have raised a key recommendation that Somerset Council should ensure that proper governance arrangements are in place to oversee the disposal of the commercial investment property portfolio to ensure that best value is obtained as assets are disposed of.

The Council should continue to manage the risks associated with the portfolio in the interim, including financing risks, income risks and ensuring that landlord responsibilities are discharged. While the Council retains commercial investment property, it should also ensure that the financial performance of individual assets is monitored, after accounting for financing costs, and reported to Members regularly to allow appropriate scrutiny and challenge.

Reserves

Somerset Council's General Fund and Earmarked Reserves are under considerable pressure due to the forecast revenue overspend for 2023/24 and the budget gap identified for 2024/25. If budget gaps are not urgently mitigated, then the call on reserves will be unsustainable and could result in Somerset Council having to issue a Section 114 Notice as soon as February 2024. Somerset Council should ensure that General Fund and Earmarked Reserves are maintained at a prudent level in order to provide financial resilience.

The District Councils delivered underspends against the approved budget for 2022/23, with the surplus transferred to their General Fund Balances to increase financial resilience, except in the case of Sedgemoor District Council where the underspend reduced the reliance on earmarked reserves to balance the budget.

Somerset County Council set the minimum level of General Fund Balances at £20m-£30m for 2022/23. The in-year revenue overspend of £23.4m reduced the General Fund Balance from £27.1m as at 1 April 2022 to £3.7m as at 31 March 2023. This is significantly less than the minimum prudent level.

The Somerset Council Consolidated Outturn Report 2022/23 amalgamated the General Fund Balance for all predecessor Somerset councils for a total of £26.8m as at 31 March 2023. As part of the outturn report a further £23m was allocated to this balance from earmarked reserves to give an opening General Fund Balance of £49.8m for Somerset Council. Therefore, the General Fund Reserve was at the upper end of the prudent range determined as part of the budget process for Somerset Council of £30m-£50m and equates to 10% of the net budget. This level of General Fund Reserve is deemed

Financial sustainability (continued)

Reserves (continued)

appropriate considering the financial risks that the new authority faced in the first year of operation.

Somerset Council inherited earmarked reserves of £104.9m of from the predecessor Somerset councils after accounting for commitments and replenishing the General Fund Balance.

Somerset Council's General Fund and Earmarked Reserves are under considerable pressure due to the forecast revenue overspend for 2023/24 and the budget gap identified for 2024/25.

If the Month 7 2023/24 overspend of £18.3m is not further mitigated, then the General Fund Balance will reduce to £31.5m which is at the lower end of the minimum prudent range of £30m-£50m established by the Council's S151 Officer. The current forecast budget gap of £82.5m for 2024/25 would reduce the General Fund Balance to zero and require the use of earmarked reserves depleting these to only £53.9m. It is noted that the Council plans to utilise £36.8m of earmarked reserves to reduce the £82.5m budget gap for 2024/25.

This level of reserves would not provide the level of financial resilience or capacity to invest in transformation for an organisation with a current net budget of £493.4m. If the budget gaps remain unmitigated Somerset Council will have negative reserves by 2025/26. The pressure on reserves caused by the current and future year budget deficits are demonstrated in Figure 7.

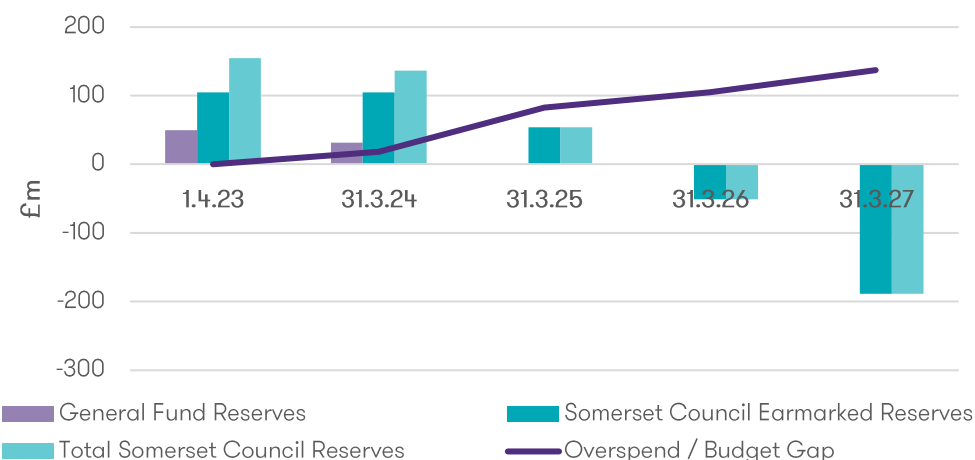
Somerset Council is currently undertaking a review of reserves to identify earmarked reserves that can be released to support financial resilience and help bridge budget gaps while efficiencies and transformation projects are delivered.

It is essential that Somerset Council mitigates the 2023/24 revenue overspend and closes the budget gap for 2024/25 at pace in order to protect reserves and provide financial resilience going forward. Failure to reduce the potential impact on reserves from these pressures could result in Somerset Council having to issue a Section 114 Notice as soon as February 2024.

Figure 7: Somerset Council Reserve Forecast

	1 April 2023 £m	31 March 2024 £m	31 March 2025 £m	31 March 2026 £m	31 March 2027 £m
Overspend / Budget Gap	-	-18.3	-82.5	-105.1	-137.3
General Fund Reserves	49.8	31.5	0	0	0
Earmarked Reserves	104.9	104.9	53.9	0	0
Total Useable Reserves	154.7	136.4	53.9	-51.2	-188.5

Somerset Council Reserve Forecast



Financial sustainability (continued)

Reserves (continued)

We have made a key recommendation that Somerset Council should ensure that General Fund and Earmarked Reserves are maintained at a prudent level in order to provide financial resilience. There should be a focus on:

urgently mitigating the 2023/24 budget overspend and bridging the 2024/25 budget gap in order to reduce their impact on reserves;

continuing to review earmarked reserves to identify resources that can be reallocated to supporting financial resilience; and

determining the minimum prudent level for General Fund Reserves in light of the continuing financial challenges that the Council faces.

Page 619

Treasury management and capital strategy

Somerset Council has a significant capital financing requirement (CFR), forecast at £1.2bn for 2023/24, with associated budget risk in terms of high levels of minimum revenue provision (MRP) and interest costs which are forecast to increase as the capital programme is delivered. As part of the overall strategy to achieve financial sustainability, minimising the capital financing requirement and associated borrowing costs are recognised by Somerset Council as key areas of focus. A review of the capital programme is currently underway to determine which schemes dependent on borrowing can be delayed or removed from the programme.

Treasury management

We identified a significant weakness in 2021/22 regarding the arrangements for treasury management at Sedgemoor District Council. The Council was not complying with the requirements of the CIPFA Code of Practice on Treasury Management because mid-year and outturn treasury performance reports were not provided to Members for scrutiny. We also identified that Sedgemoor District Council was not undertaking proactive and detailed cash flow monitoring, instead taking a reactive approach through checking the cash balance each

day and making treasury decisions accordingly. We raised a key recommendation in the Auditors Annual Report 2021/22 that Sedgemoor District Council should comply with the requirements of the CIPFA Code.

Through our review of arrangements in place for 2022/23 we have determined that this significant weakness has been largely addressed. Sedgemoor District Council approved the Treasury Management Strategy 2022/23 in March 2022, and quarterly Corporate Performance Reports to Executive included updates on treasury performance. Somerset Council considered the Sedgemoor District Council Treasury Outturn Report in October 2023. Therefore, the reporting requirements of the CIPFA Treasury Management Code have been complied with.

Sedgemoor District Council continued with its reactive approach to cashflow monitoring for 2022/23, but we have made no further recommendations regarding this as no liquidity issues were noted for the Council during 2022/23, who were able to borrow for treasury purposes from Somerset County Council in the run up to LGR.

We raised an improvement recommendation in the Somerset County Council Auditor's Annual Report 2021/22 that the Council should review the MRP charge for 2022/23 in order to ensure that the CFR is financed over a prudent period. The MRP charge for Somerset County Council in 2022/23 is £9.0m and has increased from 0.9% of the CFR in 2021/22 to 1.82%. This is closer to the 2% benchmark, based on maximum asset values of 50 years, that we would expect. However, the increase is based on an additional voluntary revenue provision of £3.7m, and in our view the underlying calculation for MRP is not consistent with statutory guidance.

Somerset Council will need to ensure that their MRP charge is in line with statutory guidance for 2023/24.

Somerset County Council approved the Somerset Council Treasury Management Strategy 2023/24 in February 2023. The Strategy recognised that a key determinant of the borrowing strategy for the new authority will come from the review of the combined commercial investment property portfolio and options for the disposal of these assets which are largely funded from short term debt totalling £231.2m.

Financial sustainability (continued)

Treasury management and capital strategy (continued)

Due to the amount of short-term debt requiring refinancing in 2023/24 the Strategy sets out to balance the cost of finance and risk associated with long term debt. With the current high levels of interest rates the strategy identifies it is likely to be more cost effective in the short term to use internal borrowing or short-term borrowing.

Somerset Council is also developing the new unitary cash flow model, using the cash flow forecasts of the predecessor councils as the starting point and refining this data as the new council becomes established and a payment history is developed.

Capital strategy

The County Council and District Council Auditor's Annual Reports 2021/22 identified the size of the inherited capital programme as a key budget risk for Somerset Council in 2023/24 and recommended that the programme should be reviewed to manage the financial risks associated with scheme cost and borrowing costs.

Based on analysis of the Capital Estimates Return 2023/24, Somerset Council forecast a total CFR of £1,232.4m for the year, comprising both the Housing Revenue Account and General Fund CFR. This represents the fifth highest CFR for a unitary council in England and compares to an average CFR across all unitary councils of £582.9m. This position is demonstrated in Figure 8.

Although the relative size of the CFR is consistent with the size of Somerset Council, which is the fourth largest unitary council in the country based on net revenue budget, the scale of the Council's CFR and the debt associated with it represents a significant financial risk that requires careful management. The risk is further compounded in the current financial climate of high interest rates and due to the significant amount of short-term debt that Somerset Council inherited from predecessor councils.

Somerset County Council approved the Capital Strategy and Programme for Somerset Council in February 2023. The total general fund capital programme inherited from the five predecessor councils, plus £75.9m of new capital bids, was £332.2m for the period 2023/24 to 2025/26 and was dependent on £107.1m (32%) of borrowing.

The Capital Strategy confirmed that the programme would be reviewed by Somerset Council post vesting day alongside the new Corporate Plan. Due to the increased borrowing required to fund the capital programme, which is front loaded in earlier years due to the profile of capital spend, the General Fund MRP was forecast to increase from £15.1m in 2022/23 to £24.5m in 2025/26. This increase in MRP reflects a forecast increase in the General Fund capital financing requirement from £945.2m in 2022/23 to £1,015.7m by 2025/26.

As a result of slippage with predecessor council capital programmes in 2022/23, an additional £99.5m was added to the capital programme to give a total Somerset Council capital programme of £431.8m as at September 2023. The revised capital programme is dependent on £136.7m of borrowing (32%).

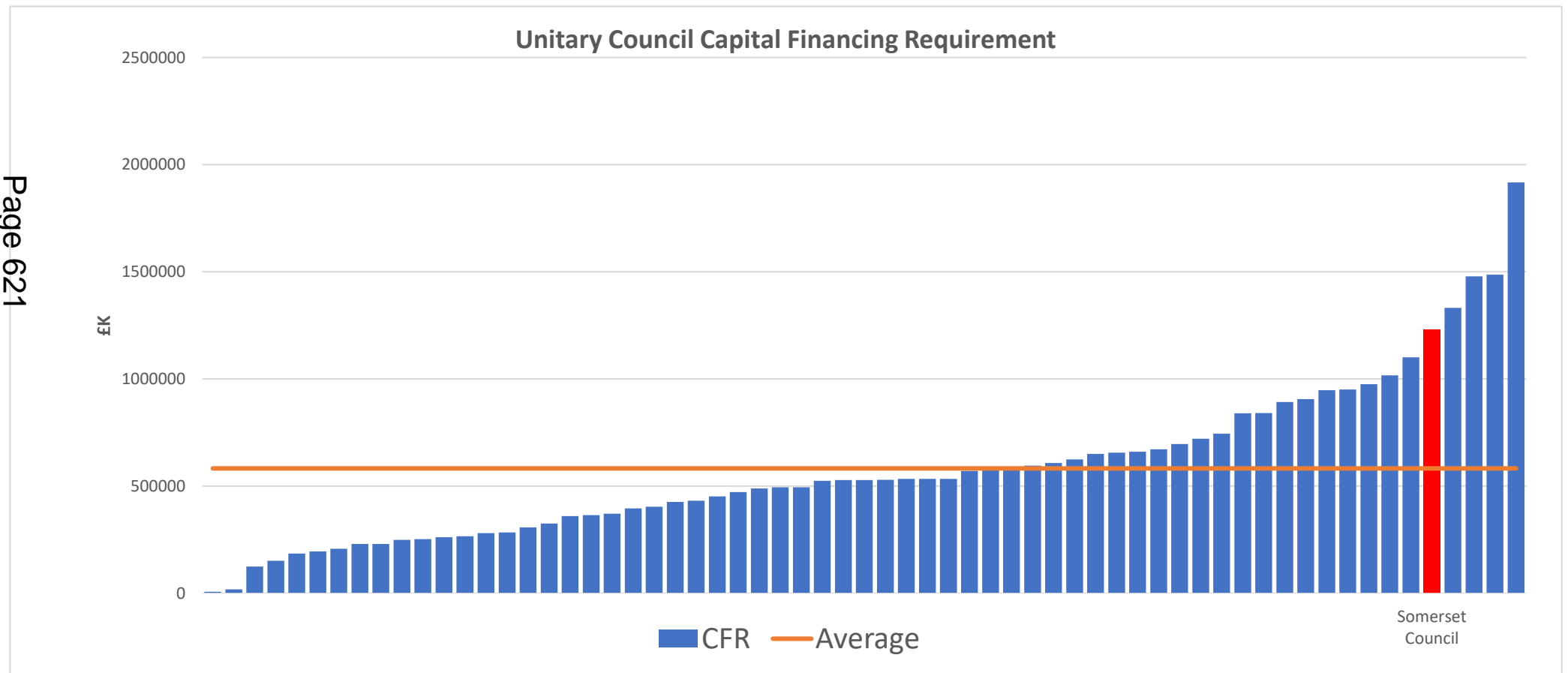
Somerset Council is in the process of reviewing its capital programme as part of the 2024/25 budget process to determine which schemes dependent on borrowing can be delayed or removed from the programme, and to ensure that any new bids relate to statutory health and safety compliance or are fully funded.

As part of the overall strategy to achieve financial sustainability, minimising the capital financing requirement and associated borrowing are recognised by Somerset Council as key budget areas in order to reduce the revenue impact of the significant interest and MRP costs that are modelled in the Capital Strategy.

We have raised an improvement recommendation that Somerset Council should complete the review of the capital programme and challenge future capital bids in order to manage the capital financing requirement and the risks associated with MRP and interest costs.

Financial sustainability (continued)

Figure 8: Unitary Council Capital Financing Requirement Estimates 2023/24



Financial sustainability (continued)

Dedicated schools grant (DSG)

There is significant pressure on the High Needs Block of the DSG. Somerset County Council overspent on the DSG by £3.4m in 2022/23 and this pressure continues into 2023/24. The cumulative DSG deficit is forecast to rise to £96.2m by 31 March 2026, when the statutory override for ring fencing the deficit ends. It is not clear what the arrangements will be from 2026/27, but Somerset Council recognises this as a significant risk to financial sustainability and is taking mitigating actions to reduce the annual deficit. We have made a key recommendation that Somerset Council should develop a robust DSG Deficit Management Plan.

Somerset County Council overspent on the DSG by £3.4m for 2022/23, driven by the £3.9m overspend on the high needs block. The cumulative deficit on the DSG as at 31 March 2023 was £20.7m.

Pressures on the high needs element of the DSG have continued into 2023/24 for the new unitary council. These pressures are driven by the increased number of children with education, health, and care plans, and increases in the number and costs of school placements for children with social, emotional, and mental health needs.

The Somerset Council Month 7 Budget Monitoring Report 2023/24 forecasts a £17.4m annual deficit on the DSG, driven by an overspend on the high needs block. The cumulative DSG deficit is forecast at £38.1m as at 31 March 2024, the majority of which relates to the high needs block.

The Council forecasts that the level of the DSG deficit could rise to £96.2m by 31 March 2026 and recognises that this

presents a significant financial risk due to the statutory override ending at this time.

Somerset Council is participating in the Department for Education (DfE) Delivering Better Value Programme aimed at 55 councils with significant high needs DSG deficits. However, based on analysis of opportunities to reduce the deficit, these will not be sufficient to resolve the gap and modelling forecasts the cumulative deficit will continue to grow each year.

Somerset County Council did have a DSG Deficit Management Plan in place for 2022/23. However, the Plan was not updated for 2023/24 as the Council understood that their participation in the Delivering Better Value Programme superseded the requirement for a specific Deficit Management Plan. The DfE has informed Somerset Council that it is required to develop a new Deficit Management Plan and submit this to the DfE in February 2024.

We consider that the growing DSG deficit and the £96.2m potential deficit forecast by March 2026, when the statutory override ends, to be a significant risk to the financial sustainability of the Council.

We have made a key recommendation that Somerset Council should develop a robust DSG Deficit Management Plan and ensure that sufficient resources are allocated to monitoring and reporting progress against the plan to Members and stakeholders such as the Schools Forum.

We do recognise that, in addition to participating in the Delivering Better Value Programme, Somerset County Council and now Somerset Council have taken other actions to mitigate the risk presented by the rising DSG deficit.



Dedicated Schools Grant Deficits

On 12th December 2022, the UK Government announced that it would be extending statutory override for the Dedicated Schools Grant (DSG) in England for the next 3 years, from 2023-24 to 2025-26. By the time this period elapses, the statutory override will have been in place for six years.

Recent estimates put the total national deficit for local authorities in tens of billions by March 2023. Whilst statutory override remains in place, there is no requirement to make provision from general reserves for repaying the deficit. Reforms and savings targets have been agreed with those local authorities with the biggest deficits. However, all local authorities need to focus on managing (and reducing) their deficits – because how these will crystalize as liabilities in 2026 is not clear.

Within DSG, the High Needs Block has proved particularly problematic. The Block is there to support children with special educational needs (SEN), which means providing more teaching staff and resources. However, there is often a significant gap between funding granted per child and the actual cost of the teaching and other resources needed.

Every parent has the right to apply for support for their child. An expensive appeal process also exists. There are significant regional differences in numbers of plans granted by local authorities and cost management on those plans once they are granted. Managing (and reducing) the growing DSG deficits that arise as a result will be a challenge both for financial sustainability and for maintaining the overall quality and effectiveness of service provision.

Financial sustainability (continued)

Dedicated schools grant (DSG) (continued)

Somerset County Council received £10.1m of DfE capital funding in 2022 to develop special school satellites, enhanced learning provision, and new therapeutic education capacity. The objective is to increase the number of children able to access inclusive education provision close to home. Somerset County Council also successfully bid for two special free schools which DfE is responsible for delivering which will increase capacity by 120 new school places.

Somerset Council is working with an external consultant to identify further opportunities to reduce the pressure on high needs budgets. Work is focused on early identification and support, as well as the use of the Somerset Inclusion Tool to improve planning for children with special educational needs.

Housing revenue account

The Somerset Council Housing Revenue Account is facing significant financial challenges over the medium term. Although the HRA balance is significant with £11.8m forecast as at March 2024, the 30 Year HRA Business Plan forecasts the unsustainable use of HRA balances over the medium term. The Council should ensure that it reviews the HRA business plans inherited from predecessor councils to ensure the HRA is financially sustainable and prudent levels of balances can be maintained.

Sedgemoor District Council delivered a £1.4m surplus on the HRA for 2022/23. This position was driven by additional rental income and underspends on revenue budgets, which was partly offset by increased inflationary pressures.

The Somerset West and Taunton Council HRA budget was overspent by £0.2m for 2022/23. Within the net position cost pressures relating to depreciation, maintenance and staffing costs were largely offset by decisions to reduce capital debt repayments.

Somerset Council has inherited the year end HRA balances for Sedgemoor District Council (£10.7m) and Somerset West and Taunton Council (£2.9m). The combined balance of £13.6m is in excess of the minimum prudent range set at £3.7m.

The 2023/24 HRA budget amalgamates the business plans from Sedgemoor District Council (Homes in Sedgemoor outsourced model) and Somerset West and Taunton (in-house model). A £1.7m deficit is forecast for 2023/24, with closing balances of £11.8m forecast as at 31 March 2024.

While the level of balances is significant and in excess of the minimum prudent range, the Somerset Council 30 Year HRA Business Plan approved in February 2023, identifies significant pressures within the HRA over the medium term. The government rent cap increase of 7% is significantly less than inflation when the budget was set (CPI was 10.4% in February 2023).

In addition to inflationary pressures and income caps, there are financial challenges within the HRA that relate to: capital financing due to rising interest rates; a shortage of social housing where cost increases impact on scheme viability; the cost of ensuring housing stock complies with decent homes standards; and the cost of decarbonising housing stock.

Due to these financial pressures within the HRA, the 30 Year Business Plan forecasts the HRA balance to decrease below the minimum level in eight years (2029/30) and from 2030/31 negative HRA balances are modelled.

The Council recognises that the HRA plan is not financially sustainable in the medium term. The Council plans to review the legacy Sedgemoor and Somerset West and Taunton Council HRA plans with a view to maximising funding and delivery. This will include reviewing the different operating models, comparing operating costs to identify efficiencies, considering the capital programme, and reviewing depreciation models.

The Council has HRA balances significantly higher than the minimum prudent level, and recognises that the current HRA plan is not financially sustainable in the medium term. Therefore, we have not identified a risk of significant weakness in arrangements at this time. We have raised an improvement recommendation that Somerset Council should continue to review and align where possible the legacy HRAs inherited from predecessor councils to identify efficiencies and address the financial challenges identified.

Improvement recommendations

Improvement Recommendation 1

Somerset Council should complete the review of the capital programme and challenge future capital bids in order to manage the capital financing requirement and the risks associated with minimum revenue provision and interest costs. This includes:

- maintaining the capital financing requirement at affordable levels;
- reviewing the current capital programme to identify schemes funded from borrowing that can be removed, delayed or funded from external funding; and
- challenging capital bids that are funded by borrowing if they are not related to invest to save, statutory compliance or other regulatory responsibilities.

Page 624

Improvement opportunity identified

The scale of the Council's CFR and the debt associated with it represents a significant financial risk that requires careful management. The risk is further compounded in the current financial climate of high interest rates and due to the significant amount of short-term debt that Somerset Council inherited from predecessor councils.

Summary findings

Somerset Council forecast a total capital financing requirement of £1,232.4m for 2023/24. This represents the fifth highest CFR for a unitary council in England and compares to an average CFR across all unitary councils of £582.9m. Due to the increased borrowing required to fund the capital programme, which is front loaded in earlier years due to the profile of capital spend, the General Fund minimum revenue provision is forecast to increase from £15.1m in 2022/23 to £24.5m in 2025/26.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

We accept this recommendation. Officers have already undertaken considerable work in respect of reviewing the current year capital programme and challenging new projects proposed for 2024/25 onwards. New schemes that are not 100% externally funded have been subjected to significant challenge. The review has identified some schemes for consideration by Members to be paused or removed from the programme, especially those that increase the Council's external borrowing. The budget report to Executive in February 2024 will include a revised capital programme and proposed new projects to be approved and included. We will continue to review and challenge as we move forward.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2

Somerset Council should continue to review and align where possible the legacy Housing Revenue Account (HRA) business plans inherited from predecessor councils to identify efficiencies and address the financial challenges identified to financial sustainability within the HRA.

Improvement opportunity identified

The Council recognises that the HRA plan is not financially sustainable in the medium term. The Council plans to review the legacy Sedgemoor and Somerset West and Taunton Council HRA plans with a view to maximising funding and delivery. We have therefore raised an improvement recommendation that this work should continue.

Summary findings

The 2023/24 HRA budget amalgamates the business plans from Sedgemoor District Council (Homes in Sedgemoor outsourced model) and Somerset West and Taunton (in-house model). A £1.7m deficit is forecast for 2023/24, with closing balances of £11.8m as at 31 March 2024. Although these are significantly higher than the minimum prudent level of HRA balances identified as £3.7m, the 30 Year HRA Business Plan approved in February 2023 identifies significant pressures within the HRA over the medium term. The HRA balance is forecast to decrease below the minimum level in eight years (2029/30) and from 2030/31 negative HRA balances are modelled.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

We accept this recommendation. The action needed in this area will form part of the wider Financial Action Plan for the Council, with additional resources allocated to support this area if necessary.

Governance



We considered how the Council:

monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

approaches and carries out its annual budget setting process

ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Local government reorganisation

Good governance arrangements were established for the LGR programme that allowed for effective monitoring, timely reporting and the identification and management of risk to programme delivery. The predecessor councils in Somerset successfully transitioned to a safe and legal Somerset Council on 1 April 2023.

While the minimum agreed viable finance system was implemented from 1 April 2023, there have been weaknesses in the functionality of the system and associated processes since vesting day relating to budget monitoring, interfaces, cash allocation and invoice payment. This has impacted on the performance of the system, the information available to users and the audit of the financial statements for 2022/23. We have made a key recommendation that Somerset Council should continue to develop the functionality of the Microsoft Dynamics finance system and resolve outstanding processes at pace.

Somerset Council has started to establish the governance arrangements for the wider transformation programme, but there has been limited progress in developing transformation business cases and projects for delivery. LGR savings are being delivered more slowly than envisaged in the business case. We have identified the absence of a Council-wide transformation programme as a significant weakness in the arrangements to deliver financial sustainability.

Finance system

As part of the transition to Somerset Council a new finance system, Microsoft Dynamics, was implemented from 1 April 2023. Governance arrangements were put in place to manage the implementation, including weekly project team meetings, monthly project steering group meetings, with project delivery scorecards reported to the Programme Board. An external partner, Ernst and Young, supported the implementation and Socitm provided independent assurance on delivery progress.

The minimum agreed viable finance system was implemented from 1 April 2023, which allowed for the payment of invoices, payments to care providers and direct payments, and collection of income. There have, however, been weaknesses in the functionality of the finance system and associated processes since vesting day relating to budget monitoring, interfaces, cash allocation and invoice payment. These weaknesses have impacted the performance of the finance system, the information available to users, and the audit of the financial statements for each of the predecessor councils for 2022/23.

The implementation of the new finance system impacted budget monitoring, with Somerset Council unable to produce system generated budget reports until Month 6 (September) 2023/24. The finance team had to manually compile budget monitoring reports using a risk-based budget monitoring approach. Somerset Council Executive received their first budget monitoring report (Quarter 1 2023/24) on 6 September 2023, while in comparison Somerset County Council received the Month 2 2022/23 budget monitoring report on 11 July 2022.

We are also aware of issues with posting cash file interfaces which has impacted on sundry debt collection and the completeness of information within the finance system.

Governance (continued)

Local government reorganisation (continued)

The backlog of unpaid supplier invoices within the finance system increased significantly post vesting day, particularly in relation to unpaid invoices for legacy councils from 2022/23. Local government reorganisation, with the associated finance system coding changes and personnel changes, created particular difficulties in coding and authorising legacy invoices that were not raised through a purchase order.

We recognise that the finance team is now making progress in addressing these issues and is further developing the functionality of the finance system. A Microsoft Dynamics triage meeting has been held three times a week since August 2023 to review operational issues and to focus on system development.

The budget reporting tool, Solver, has been rolled out to finance business partners from 21 July 2023 and work to validate data within the finance system and to develop standardised budget reports is ongoing. Budgets are now loaded into the system and payroll data has been posted since August 2023. Accruals from 2022/23 were due to be reversed in November 2023. These actions should improve the efficiency and accuracy of budget monitoring from Month Seven (October) onwards.

The process for posting cash interfaces into the ledger was revised in August 2023 to ensure more visibility of transactions for users and additional resource have been allocated to clearing the cash posting backlog. The sundry debt recovery process restarted in October 2023 using a phased approach, and all debt types should be under recovery by December 2023.

Additional resources have been put in place to address the invoice backlog and additional training and workshops have been provided for staff involved in the invoice authorisation process. Progress on clearing the backlog is reported to the Dynamics Project Steering Group.

Service Directors are provided with weekly purchase order owners and approvers reports to identify the backlogs in their service areas. The backlog of non-purchase order invoices has decreased from 4,165 requiring action as at 24 May 2023, to 2,357 by 3 November 2023.

Somerset Council is also enforcing a “no order no pay” policy from December 2023 which should reduce the number of invoices that are not accompanied by a purchase order and speed up processing times.

Socitm held a lessons learned workshop in August 2023 to identify learning from the implementation of Microsoft Dynamics that could be taken forward and applied to other system implementations. Areas of success were noted that include delivering a solution on time, clear ownership and good leadership. Areas for improvement were noted in relation to project management, data migration, integrations, testing and communications.

Ultimately the Council plans to implement self-service financial monitoring and reporting for budget holders, with workflow in place to manage the process. Other improvements are planned to the Council’s finance system architecture, including alignment of legacy revenues and benefits systems and consolidation of the bank accounts inherited from predecessor councils.

We judge the weaknesses in the functionality of the finance system experienced after vesting day to be significant as they have impacted on budget monitoring, debt collection, invoice payment, and the accuracy of financial information. The finance system should support timely, efficient and accurate financial processes. This is particularly important due to the financial challenges that Somerset Council is facing and the need for prompt and accurate financial monitoring.

While Somerset County Council led the implementation of the new finance system, all predecessor council partners in Somerset had a role to play in ensuring sufficient resources were allocated to the system project team and in ensuring data was cleansed for migration into Microsoft Dynamics.

We have raised a key recommendation that Somerset Council should continue to develop the functionality of the Microsoft Dynamics finance system and resolve outstanding processes at pace to ensure that the system supports efficient and accurate financial reporting. There should be a focus on:

- continuing to develop financial processes relating to interfaces, invoice payment and data validation to ensure that transactions are promptly and efficiently processed and that the data within the finance system is accurate and complete;
- developing standardised system generated budget monitoring reports for budget holders to ensure that timely and efficient budget monitoring arrangements are in place;

Governance (continued)

Local government reorganisation (continued)

ensuring that finance system users are adequately trained and understand their roles and responsibilities; and

applying the lessons learned from the implementation of Microsoft Dynamics to future system implementations undertaken as part of the transformation programme.

Governance arrangements

We identified a risk of significant weakness within the 2022/23 Annual Audit Plans for the County Council and the District Councils that appropriate arrangements were not in place to support a successful transition to a single unitary council from 1 April 2023.

We undertook a detailed review of the governance arrangements in place to support local government reorganisation in Somerset as part of our 2021/22 value for money assessment.

We reported that the LGR programme had good governance arrangements in place that allow for effective monitoring, timely reporting and the management of risk to programme delivery. Examples of strong governance arrangements were identified as follows:

Member oversight from all predecessor councils through the Implementation Board;

LGR Joint Scrutiny Committee;

tiered programme governance structure allowing for escalation of decisions as required;

county and district council workstream leads for each of the six LGR workstreams;

a strong Programme Management Office providing resource for project management and monitoring;

arrangements in place to identify, report and mitigate risk through the LGR programme risk register;

change control process to ensure changes to product target dates, scope, cost or benefits are agreed;

independent assurance provided on implementation progress provided by PwC and Socitm.

In response to the risk of significant weakness identified in the 2022/23 Annual Audit Plans, we have updated our assessment of the governance arrangements in place to support local government reorganisation and how successful the transition to Somerset Council has been.

The predecessor councils in Somerset successfully transitioned to a safe and legal Somerset Council on 1 April 2023, which was the primary objective of the LGR programme for vesting day. Governance arrangements continued to operate in the run up to vesting day, with the Somerset County Council Executive receiving implementation plan update reports and the Implementation Board meeting to review programme updates and day-one readiness assessments.

LGR implementation update reports to Somerset County Council in March 2023 provided confidence that the new council would be able to open for business and be able to deliver services on vesting day, and that critical day-one products were delivered or in progress. To ensure a successful transition on 1 April 2023, a Business Readiness Group was established to define what success looked like, including customers being able to contact the Council and access services, staff being able to do their job without disruption, and efficient decision making. The Day-One Readiness Report presented to the Implementation Board on 21 March 2023 provided a green RAG rating for the overall programme with a total of 97.63% of tranche one products and 99.52% of milestones delivered or on track.

Risks continued to be monitored and mitigated with a focus on programme level strategic risks. Risks were reviewed to determine which could be closed, which were transitional risks to carry forward, and which were strategic risks for Somerset Council's risk register. The only red RAG (Red Amber Green) rated risk as at March 2023 related to the five predecessor councils overspending in 2022/23. The outturn position of the predecessor councils is considered in the financial sustainability section of this Auditor's Annual Report.

We have not identified any significant service performance issues on transition to the new Council. The complaints received from members of the public for the period April 2023 to June 2023 mainly relate to business-as-usual activities, with only four complaints out of a total of 532 relating specifically to vesting day issues such as accessing electoral roll information and difficulties using the single council telephone number.

Governance (continued)

Local government reorganisation (continued)

As Somerset Council moves from transition into transformation it will need to ensure that the operating model is developed alongside the developing Council Plan, and that strategic aims and objectives are communicated and understood throughout the Council. Processes should be reviewed and aligned across predecessor council services in areas such as performance management and customer engagement. We will review the progress that Somerset Council has made in aligning strategies, processes and systems as part of our 2023/24 value for money audit.

Transformation programme and LGR savings

An improvement recommendation was raised in the 2021/22 Auditors Annual Reports for the County and District Councils to ensure that adequate resources were allocated to the planning and delivery of transformation, in order to help bridge the significant budget gaps identified over the medium term.

We have identified as part of our review of arrangements in place to ensure financial sustainability that Somerset Council has started to establish the governance arrangements for the wider transformation programme, but that there has been limited progress in developing transformation business cases and projects for delivery. There is currently no Council-wide transformation programme or pipeline of savings that can be built into the MTFP.

LGR related savings are also being delivered more slowly than envisaged in the business case and £1.3m of planned staff savings for 2023/24 are at risk. The Council will need to be clear on the scope and interrelationship of transformational and transitional savings as it undertakes a complex programme of change to balance the financial situation.

We have identified the absence of a Council-wide transformation programme as a significant weakness in the arrangements to deliver financial sustainability and have raised a key recommendation that Somerset Council should now implement the transformation programme at scale and pace in order to address the significant structural budget deficit.



Governance (continued)

Risk management

The County Council and each of the District Councils had adequate arrangements in place to identify, mitigate and report on risk and we have found no significant weaknesses in risk management arrangements for 2022/23.

The County Council and the District Councils each had a risk management strategy or policy in place for 2022/23 that was subject to review, and which set out the roles and responsibilities for risk management. Although arrangements varied between predecessor councils, risks were reported regularly to Members of the respective Audit Committees and for Executives during 2022/23.

The County Council and District Council risk registers contained most of the elements of best practice that we would expect to see, including controls or mitigating actions, RAG rated risk scores and risk owners. We note that the risk mitigations were not reported to Executive in detail at Somerset West and Taunton Council and that for the County Council and District Councils risk reporting would be strengthened if risks on the strategic risk register were mapped to corporate priorities.

In February 2023, the Somerset County Council Executive approved the Risk Management Strategy and Policy Framework for Somerset Council from 1 April 2023. County Council and District officers worked together to develop the new authority's approach to risk management, including risk scoring, recording, roles and responsibilities. Work was undertaken to review predecessor council risks and develop a strategic risk register for Somerset Council.

We have raised an improvement recommendation that robust risk management reporting arrangements should be implemented for Somerset Council with consideration given to the strengths and weaknesses identified in each of the predecessor council arrangements.

We will review how risk management arrangements have developed and been embedded at Somerset Council as part of our value for money audit 2023/24.

Internal control

The County Council and each of the District Councils had an effective internal audit function in place for 2022/23 and there is no evidence of pervasive and significant weaknesses within the councils' control environments. Internal audit provided "Reasonable Assurance" opinions relating to each councils' control environment for 2022/23.

The South-West Audit Partnership undertook the internal audit function for the County Council and for the District Councils in 2022/23. Annual Audit Plans were developed in consultation with management and approved by the respective Audit Committees. The County Council and District Council Audit Committees each received regular progress reports summarising audits completed against the plan, recommendations raised, and the audit assurance provided.

We note that progress implementing high priority recommendations was only reported to the South Somerset District Council Audit Committee when limited assurance reviews were followed up, as opposed to the routine reporting of the implementation of recommendations. The intention was to implement routine reporting to the Audit Committee using SharePoint and Power BI dashboards, but this was not completed by vesting day. It is considered best practice for Audit Committee to receive regular reports providing assurance on the implementation of recommendations. We have not raised an improvement recommendation as the progress implementing recommendations was reported through the audit follow up review process.

The Audit Plan was substantially delivered for the County Council and each of the District Councils by March 2023 and this work informed the Head of Internal Audit's Annual Opinion. The County Council and the District Councils each received a "Reasonable Assurance" opinion for the overall control environment in 2022/23.

There is no evidence of pervasive and significant weaknesses in the control environments of the County Council or District Councils for 2022/23. This is confirmed through our review of the Annual Governance Statement for each council, with each Statement confirming our view of the controls in place informed by our value for money work.

Governance (continued)

Monitoring standards

Adequate arrangements were in place to monitor standards and to prevent and detect fraud and corruption at the County Council and District Councils during 2022/23.

Appropriate anti-fraud policies and codes of conduct were in place and all councils continued to monitor the progress made in strengthening arrangements to prevent and detect fraud as a result of the baseline assessments carried out by internal audit. We have made an improvement recommendation that Somerset Council should ensure robust arrangements to prevent and detect fraud and corruption are in place that consider the strengths and weakness of arrangements in predecessor councils.

Somerset Council should also ensure that there is sufficient capacity to respond to Ombudsman investigations completely and in a timely manner.

The County Council and the District Councils each had anti-fraud and corruption policies and whistleblowing policies in place for 2022/23.

The County Council and the District Councils all undertook assessments of the maturity of their arrangements to prevent and detect fraud and corruption during 2020/21, with action plans in place to address weaknesses identified. The County Council and District Councils reported the progress made in improving controls to their Audit Committees during the year.

We note that South Somerset District Council had continued to make progress in addressing the weaknesses in arrangements to prevent and detect fraud and corruption that were identified in response to a whistle blowing allegation received in April 2021. Recognising the public interest in the matter, the Audit Committee received detailed public reports in May 2022 and January 2023 that set out the findings of the investigations carried out, and the progress made implementing the associated action plans. The January 2023 update report confirmed that the majority of recommendations resulting from the whistleblowing investigations had been completed and that there had been a significant change in the culture at the Lufton depot following the appointment of a new Environmental Services Manager.

We have raised an improvement recommendation that robust arrangements for preventing and detecting fraud and corruption should be implemented at Somerset Council with

consideration given to the strengths and weaknesses identified in each of the predecessor council arrangements. This is to ensure that robust policies are in place, staff are provided with adequate training, and that there is a comprehensive annual anti-fraud plan.

The County Council and District Councils also had Member and Officer Codes of Conduct in place and policies for registering interests and gifts and hospitality during 2022/23.

During 2022 all councils in Somerset adopted a revised Member Code of Conduct based on the Local Government Association's Model Code. This ensured that all Members within the county were subject to the same Code during the transition to Somerset Council.

South Somerset District Council had a planning decision quashed following a Judicial Review in October 2022 due to incorrect advice provided to Members in relation to personal interests. The Judicial Review found that while the advice provided by the Monitoring Officer was not correct, this outcome does not adversely reflect on the integrity or professionalism of the Members, and that the advice provided by the Monitoring Officer resulted from an open and honest application of the Code of Conduct. We do not consider that the decision from the Judicial Review represents a significant weakness in arrangements.

The Local Government and Social Care Ombudsman Annual Review Letter 2022/23 for Somerset County Council confirms that 25 complaints were upheld and in all these cases the Council successfully implemented the Ombudsman's recommendations. While the volume and outcome of complaints does not provide evidence of weakness in arrangements, the Ombudsman commented that during the year there were several occasions when investigations were delayed by the Council's failure to respond in a timely way and that a third of Council responses were late. There were also instances of poor-quality and incomplete responses.

We have raised an improvement recommendation that Somerset Council should ensure that there is sufficient capacity in place and staff are suitably trained in order to respond to Ombudsman investigations completely and within agreed timescales.

Improvement recommendations

Improvement Recommendation 3

Robust risk management reporting arrangements should be implemented at Somerset Council, including: considering the strengths and weaknesses identified in each of the predecessor councils' risk management arrangements; ensuring that risk registers reported to the Audit Committee include details of actions being taken to mitigate risk; and mapping risks in the strategic risk register to the priorities within the Council Plan.

Improvement opportunity identified

By considering the strengths and weaknesses identified in the arrangements of predecessor councils, Somerset Council can ensure that robust arrangements are implemented going forward.

Summary findings

The County Council and District Council risk registers each contained most of the elements of best practice that we would expect to see, including controls or mitigating actions, RAG rated risk scores and risk owners. We note that the risk mitigations were not reported in detail at Somerset West and Taunton Council and that for the County Council and all District Councils risk reporting would be strengthened if risks on the strategic risk register were mapped to corporate priorities.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

We have already made good progress to implement this recommendation, with risk management arrangements already being strengthened across the Council. We have recently updated our software which can be accessed and updated by all relevant officers across the Council. Quarterly risk reports are presented to our Audit Committee to provide assurance over governance risk and control arrangements in place. These reports now map strategic risks back to the Council Plan. Risk training has taken place within the Council, and we are continuing to promote engagement in risk across all teams within the Council.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 4

Robust arrangements for preventing and detecting fraud and corruption should be implemented at Somerset Council, including:
considering the strengths and weaknesses identified in each of the predecessor council arrangements;
ensuring that robust policies are in place and regularly reviewed;
providing regular training to staff; and
approving and reporting progress against an Annual Anti-Fraud Plan.

Improvement opportunity identified

By considering the strengths and weaknesses identified in the arrangements of predecessor councils, Somerset Council can ensure that robust arrangements are implemented going forward.

Summary findings

The County Council and District Councils undertook assessments of the maturity of their arrangements to prevent and detect fraud and corruption during 2020/21, with action plans in place to address weaknesses identified. The County Council and District Councils reported the progress made improving controls to their Audit Committees during the year.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

We accept this recommendation with work already started in this area. SWAP Internal Audit have already undertaken a fraud risk assessment, and an action plan is being formed. We have removed the old website pages from the legacy Council's and replaced with new up to date information and guidance. Training is going to be carried out across the organisation on preventing and tackling fraud. Audit Committee will be updated on progress made in this area.

Improvement recommendations

Improvement Recommendation 5

Somerset Council should ensure that there is sufficient capacity in place and staff are suitably trained in order to respond to Ombudsman investigations completely and within agreed timescales.

Improvement opportunity identified

The Council should respond in a timely manner to Ombudsman investigations and provide all the information requested in order for investigations to be concluded promptly and for any required remedies or improvements to processes actioned quickly.

Summary findings

The Local Government and Social Care Ombudsman Annual Review Letter 2022/23 for Somerset County Council confirms that 25 complaints were upheld and in all these cases the Council successfully implemented the Ombudsman's recommendations. While the volume and outcome of complaints does not provide evidence of weakness in arrangements, the Ombudsman commented that during the year there were several occasions when investigations were delayed by the Council's failure to respond in a timely way and that a third of Council responses were late. There were also instances of poor-quality and incomplete responses.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

We accept the improvement suggestion and will look to ensure that that there is sufficient skilled staff with the capacity to meet and respond to Ombudsman investigations in a timely manner. We will look to monitor progress and performance through the statutory officers board.

Improving economy, efficiency and effectiveness



We considered how the Council:

uses financial and performance information to assess performance to identify areas for improvement

evaluates the services it provides to assess performance and identify areas for improvement

ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

where it commissions or procures services assesses whether it is realising the expected benefits.

Procurement and contract management

We have found no significant weaknesses in the District Councils' procurement or contract management arrangements. There were opportunities to strengthen procurement arrangements at South Somerset District Council and Somerset West and Taunton Council, relating to reporting of waivers and rolling out of training, but these are not considered to be significant weaknesses. We have however identified a significant weakness in arrangements with regard to contract management and procurement at Somerset County Council during 2022/23. Internal audit provided two limited assurance opinions relating to general contract management arrangements and to the procurement and contract management arrangements for the Athena contract. We have raised a key recommendation that robust procurement and contract management arrangements should be implemented at Somerset Council. Consideration should be given to the strengths and weaknesses identified in each of the predecessor council's arrangements.

The County Council and District Councils each had a Procurement Strategy in place during 2022/23, setting out the priorities and processes to follow when undertaking procurement activity to achieve value for money.

Arrangements to report procurement activity varied within each council. Examples of good practice within the District Council arrangements were identified through our work, including Sedgemoor District Council providing procurement plan updates to the Executive as part of the quarterly Corporate Performance Reports. Updates included high value and complex procurements completed and the pipeline for procurement activity to be undertaken. Sedgemoor District Council also reported the number, value and reason for procurement waivers to the Audit Committee.

We note that neither South Somerset District Council nor Somerset West and Taunton Council reported procurement waivers to the Audit Committee during 2022/23. Regular reporting on the volume, value and reason for granting procurement waivers provides an opportunity for Member scrutiny and challenge why approved procurement processes are not being followed. Ensuring sufficient scrutiny of waivers in order to minimise their use provides assurance to Members that value for money is being achieved through procurement activity.

Somerset West and Taunton Council was working to strengthen procurement arrangements following a limited assurance internal audit review in 2020/21. Due to limited resources in the run up to LGR some actions were not progressed, including rolling out procurement training across the Council.

Examples of good practice with regard to contract management arrangements at the District Councils were also identified through our work for 2022/23.

South Somerset District Council had a contract management plan in place with Freedom Leisure who operate various Council-owned leisure facilities. The operator provided quarterly performance monitoring reports using agreed KPIs for review by the contract manager. An annual

Improving economy, efficiency and effectiveness (continued)

Procurement and contract management (continued)

performance report was provided for Member scrutiny of performance against the contract but also to enable review of future delivery plans.

Somerset West and Taunton Council held monthly officer contract meetings with their leisure operator, SLM (Everyone Active), in order to review performance. The Community Scrutiny Committee received bi-annual reports from Everyone Active providing performance against a range of contract metrics.

We do not consider that there were any significant weaknesses with regard to the arrangements for procurement and contract management at the District Councils. We consider that an improvement recommendation would have been appropriate in relation to the procurement arrangements for South Somerset District Council and Somerset West and Taunton Council, that robust procurement arrangements should be implemented at Somerset Council.

However, we have identified a significant weakness in arrangements with regard to securing value for money through the contract management and procurement arrangements in place at Somerset County Council during 2022/23. Internal audit provided two limited assurance opinions relating to procurement and contract management.

The limited assurance opinion for contract management at the County Council was reported in January 2023. Based on a survey of contract managers, the review found that the contract register contains outdated information, manager understanding and application of the requirements of contract management varied, and there were gaps in managers understanding of their contracts.

The Athena contract was commissioned by Adult Services in order to create additional bed capacity during the Covid-19 pandemic. Internal audit provided a limited assurance opinion in April 2023 which reflected the manner in which the contract was awarded and managed. Key findings include that the proper procurement process was not followed with responsible officers in the Adults Service not undertaking procurement training and not involving commissioners in the procurement process. Contract oversight was fragmented for this statutory service and invoices were not validated. A contract exit plan was not prepared in accordance with the contracted timescale and expenditure of £1.11m exceeded the contract

value of £0.6m.

We have therefore raised a key recommendation that robust procurement and contract management arrangements should be implemented at Somerset Council. Consideration should be given to the strengths and weaknesses identified in each of the predecessor council's arrangements.

Performance management

Adequate arrangements were in place to monitor, manage and report service performance in 2022/23 for the County Council and the District Councils. While the frequency of performance reporting was reduced in 2022/23 due to local government reorganisation, the respective council Executives received detailed performance reports during the year, and we have found no evidence of significant weakness in arrangements.

The County Council and each of the District Councils had arrangements in place during 2022/23 to provide regular performance monitoring information to their respective Executives. We note that the frequency of formal performance reporting was reduced during 2022/23 due to local government reorganisation, with the final performance reports for 2022/23 relating to Quarter 3 which were submitted to the respective Executives in March 2023. This is not considered a significant weakness in arrangements in the context of local government reorganisation as the predecessor Councils ceased to exist from 1 April 2023.

Corporate dashboards or scorecards were reported through performance monitoring reports, supported by detailed appendices of key performance indicators (KPIs). The information provided for the KPIs included the elements of best practice that we would expect to see. The KPIs were mapped to Council priorities and included RAG rated performance against target, comparative information, responsible officer, and supporting narrative. Where performance was below target, the performance monitoring reports each analyse the cause and set out mitigating actions to improve poor performance.

Adequate arrangements were in place at the County Council and each of the District Councils to manage, monitor and report on performance for 2022/23. We have found no evidence of significant weakness with regard to performance management arrangements.

Improving economy, efficiency and effectiveness (continued)

Benchmarking

The District Councils did not have a corporate-wide approach to benchmarking the cost and performance of services in order to identify opportunities for improvement. Somerset County Council and Somerset Council can demonstrate greater use of benchmarking in order to understand cost drivers and identify opportunities for efficiencies. The benchmarking we have carried out using the CFO Insights Tool has not identified any areas of significant weakness with regard to service efficiency for the District Councils. Benchmarking of the County Council's service costs has identified Children's Services as very high unit cost. We have made a key recommendation through our financial sustainability work that Somerset Council should continue to develop and deliver mitigating actions to manage demand and costs within Children's Services.

The District Councils did not undertake a corporate-wide approach to benchmarking in 2022/23 in order to routinely compare financial and service performance with other local authorities and so identify opportunities for improvement.

Somerset County Council and now Somerset Council can demonstrate wider use of the benchmarking of service costs and cost drivers as part of the financial planning process. Recent examples include deep dives carried out by the Financial Focus Group for Adult and Children's Services into cost and activity data, and the use of external specialist partners to identify opportunities for efficiencies.

We have undertaken benchmarking for the District Councils using the CFO Insights tool to identify services which have very high unit costs in comparison to other district councils. The data used was based on the 2022/23 budgeted costs submitted to the government through the annual RA Returns. The areas of high cost and reasons identified across the District Councils were consistent with those identified and reported through our 2021/22 value for money work.

A council's method for apportioning support service recharges to front line services can impact on the relative cost of service in statistical returns. Where the recharge method has not been reviewed regularly or the recharge mechanism does not reflect an accurate

charge this can contribute to very high unit costs and makes benchmarking difficult. The impact of recharges on service costs in statistical returns was noted for South Somerset District Council and Somerset West and Taunton Council.

Other areas of very high District Council unit cost identified through CFO Insights related to corporate priorities where local decisions have driven the allocation of resources to deliver specific outcomes. Examples include regeneration and economic development expenditure, including Sedgemoor District Council costs relating to Hinkley Point, and South Somerset District Council expenditure relating to Yeovil, Wincanton and Chard.

From our work we have not identified any evidence of significant weakness with regard to service efficiency at the District Councils.

The service cost benchmarking we undertook using the CFO Insights tool for Somerset County Council identified children's social care and the cost of looked after children as very high unit cost in comparison to other county councils. Somerset Council recognises the cost pressures within Children's Services, and this is one of the 17 key budget areas under review to reduce the in-year and future budget pressures.

Due to the impact that the financial pressures within Children's Services are having on past and current overspends and on the budget gap for 2024/25, we have identified that they represent a significant risk to the financial sustainability of Somerset Council. We have raised a key recommendation in the financial sustainability section of this report that Somerset Council should continue to develop and deliver mitigating actions to manage demand and costs within Children's Services.

We have raised a further improvement recommendation that robust arrangements should be implemented for benchmarking at Somerset Council. Consideration should be given to the strengths and weaknesses identified in each of the predecessor council's arrangements and a corporate approach to benchmarking should be developed. Somerset Council have subscribed to the CFO Insights tool and should ensure that it fully utilises its benchmarking capabilities.

Improving economy, efficiency and effectiveness (continued)

Partnership working

The District Councils and County Council could all demonstrate that effective arrangements were in place during 2022/23 for working with partners to achieve corporate priorities and deliver meaningful actions. Arrangements in place to monitor the performance of partnerships and report back to Members varied depending on the individual partnership arrangement. A Somerset-wide partnership register was compiled during 2022/23 as part of local government workstreams to document the significant partnerships in place across the County.

Examples of significant partnerships operating in Somerset during 2022/23 include:

Health and Wellbeing Board – a statutory body for local authority and health services to work together to produce a Health and Wellbeing Strategy, oversee the local health system, and to promote integrated partnership working to improve population health;

Safer Somerset Partnership – a statutory partnership with the objective of reducing crime and disorder. Local authorities work with partners that include the police, fire and rescue service, health partners and the probation service in order to develop and deliver the Community Safety Partnership Plan;

Heart of the South-West Local Enterprise Partnership – the Board includes local authority, business and education partners with the strategic objective of improving the economy and maximising economic opportunities in the area. Key strategic programmes that the partnership oversees include Clean Growth and Build Back Better;

Connect Somerset - an early help partnership between Councils, NHS bodies, schools, the voluntary sector, and communities to ensure professionals and communities work together to help families and residents and improve their lives. This work is integrated with the Neighbourhoods, Local Community Networks and Primary Care networks;

Somerset Waste Partnership – a partnership of local authorities in Somerset to collect and recycle waste, contributing to net zero carbon and sustainability. Each local authority approves the annual business plan and has Member representation on the Board.

A Somerset-wide partnership register was compiled during 2022/23 to document the significant partnerships in place. The register identifies 378 partnerships, 20 of which are defined as strategic, and provides information relating to the scope and purpose of these partnerships.



Improvement recommendations

Improvement Recommendation 6

Robust arrangements should be implemented for benchmarking service cost and performance at Somerset Council, including: considering the strengths and weaknesses identified in each of the predecessor councils' benchmarking arrangements; developing a corporate-wide approach to routinely benchmarking performance; ensuring the data submitted in statistical returns is robust and up to date to allow for meaningful benchmarking; and fully utilising the capabilities of the CFO Insights benchmarking tool.

Improvement opportunity identified

Benchmarking is an effective tool that enables an organisation to compare and analyse its cost and service performance with peers in order to identify areas for improvement.

Summary findings

The District Councils did not undertake a corporate-wide approach to benchmarking in 2022/23 in order to routinely compare financial and service performance with other local authorities and so identify opportunities for improvement.

The impact of recharge methodologies that had not been updated or did not reflect true cost was noted for South Somerset District Council and Somerset West and Taunton Council which made benchmarking service cost difficult.

Criteria impacted



Economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

There are examples of good use of benchmarking in some services but we accept this could be improved by having a more consistent approach across the new council. We would look to use this information to help manage services and drive further service savings and improvements going forward.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Pension fund arrangements

Somerset County Council is the administering authority for the Somerset Pension Fund. Our review of the arrangements in place for the governance and management of the Pension Fund has not identified any evidence of significant weakness. The Pension Fund has adequate arrangements in place to plan and manage resources, manage risk and monitor performance.

The Pension Board includes employer and Member representatives and meets regularly to ensure the effective governance of the Local Government Pension Scheme (LGPS) and compliance with regulations and legislation.

The Pension Committee is the decision-making body for the Pension Fund, meeting four times during 2022/23. The Pension Committee monitors investment and administration performance, and reviews key governance documents such as the risk register, Funding Strategy and Business Plan. The Pension Committee receives an Annual Report and Accounts which includes summaries of investment activity, performance and cost for the year.

The Funding Strategy Statement identifies how employer's pension liabilities are best met in the future and seeks to ensure the solvency of the Pension Fund. The funding target is to have sufficient assets in the Pension Fund to meet the accrued liabilities for each employer by setting appropriate contribution rates. Valuation assumptions are made when completing the actuarial valuation of the Fund and these are set out in the Funding Strategy.

The Investment Strategy Statement sets out the policy for asset allocation and managing risk and seeks to generate an investment return consistent with the objectives of the Funding Strategy. The Investment Strategy sets out the suitability of particular types of investments, and the balance between different types of assets.

The Fund appoints an external Actuary to provide specialist advice on funding, contribution levels, and carry out Pension Fund valuations. The 2022 actuarial valuation indicates an improvement to the funding level at 95%, compared to 86% in the last formal valuation in 2019.

The Pension Fund adequately monitors and manages risk and makes informed decisions. The Pension Committee receives advice from professional advisers, fund managers and officers as required. The Pension Committee has an independent advisor with portfolio analysis and

management experience and the Somerset County Council S151 Officer is the lead officer for the Pension Fund.

The Risk Register is a standing agenda item for the Pension Board and Pension Committee meetings. The Risk Register includes control measures, current and target RAG rated risk scores, additional mitigating actions, target dates, and the risk owner.

Pension Committee Members are expected to undertake regular training to ensure they have sufficient knowledge of the LGPS and investment issues in order to make informed decisions. The Pension Fund has formally adopted the CIPFA Pensions Finance Knowledge and Skills Framework for Members and officers. The Training Policy contains the annual training commitment for Members in each year of office.

In accordance with government pension investment reform guidance, the Somerset Pension fund is pooling its resources with nine other funds in the South-West to create the Brunel Pension Partnership. Somerset largely completed the transition of assets to Brunel in 2021.

There are additional layers of governance associated with Brunel. These include the Brunel Oversight Board where representatives from each of the client Pension Fund Committees gain assurance over the activities of Brunel. The Client Group supports the Oversight Board, and is made up from pension fund investment officers, finance, and legal representatives from each client Pension Fund. The Client Group provides a forum for discussing technical matters and confirming priorities.



Follow-up of previous recommendations

Somerset County Council

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council should continue to develop and implement mitigating actions to address the significant budget deficit forecast for 2022/23.	Improvement	November 2022	The 2022/23 outturn position for Somerset County Council was a £23.4m deficit, reducing the General Fund balance to £3.7m at the year-end. The main drivers for the deficit were Adult Services (£15.4m overspend) and Children's Services (£21.2m overspend) due to increased demand and cost of care.	No.	We have made a key recommendation that Somerset Council should continue to develop and deliver mitigating actions to manage demand and costs in relation to Adult and Children's Services.
2 The Council should review the MRP charge for 2022/23 in order to ensure that it reflects current guidance and provides a prudent provision on an annual basis.	Improvement	November 2022	The MRP charge for Somerset County Council in 2022/23 is £9.0m and has increased from 0.9% of the CFR in 2021/22 to 1.82%. This is closer to the 2% benchmark, based on maximum asset values of 50 years, that we would expect. However, the increase is based on an additional voluntary revenue provision of £3.7m, and in our view the underlying calculation for MRP is not consistent with statutory guidance.	Partially.	Somerset Council will need to ensure that their MRP charge is in line with statutory guidance for 2023/24.
3 Somerset County Council should work with the four district councils to develop a cash flow model for Somerset Council.	Improvement	November 2022	Somerset Council is developing the new unitary cash flow model, using the cash flow forecasts of the predecessor councils as the starting point and refining this data as the new council becomes established.	Yes.	None.
4 As part of the budget process for 2023/24 key budget risks should be addressed.	Improvement	November 2022	Somerset Council set a balanced budget for 2023/24. The commercial investment property portfolio has been reviewed and the Council is in the process of reviewing levels of reserves and the capital programme. However, Somerset Council continues to face significant financial challenges.	Partially.	We have made further key recommendations in response to the financial challenges that Somerset Council faces relating to transformation, reserves, demand led services and commercial property.

Follow-up of previous recommendations

Somerset County Council (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 A risk management policy should be developed for Somerset Council that addresses the recommendations made by internal audit. The risks within the strategic risk register should also be mapped to corporate priorities.	Improvement	November 2022	In February 2023 the Somerset County Council Executive approved the Risk Management Strategy and Policy Framework for Somerset Council from 1 April 2023. County Council and District officers worked together to develop the new authority's approach to risk management, including risk scoring, recording, roles and responsibilities. Work was undertaken to review predecessor council risks and develop a strategic risk register for Somerset Council.	In progress.	We have made an improvement recommendation that robust risk management reporting arrangements should be implemented for Somerset Council, including reporting mitigating actions and mapping risks to corporate priorities.
6 The Council should ensure adequate resources are allocated to the planning and delivery of transformation, that business as usual activities are reviewed as required to create capacity, and that key organisational enablers are approved.	Improvement	November 2022	Somerset Council has started to establish the governance arrangements for the transformation programme, but there has been limited progress in developing transformation business cases and projects for delivery. There is currently no Council-wide transformation programme or pipeline of savings that can be built into the MTFP.	No.	We have made a key recommendation that Somerset Council should implement the transformation programme at scale and pace in order to address the significant structural budget deficit.
7 It should be ensured that previous external and internal audit recommendations are taken into account when LGR workstreams consider the Procurement Strategy and commissioning arrangements for the new unitary council.	Improvement	November 2022	Internal audit provided two limited assurance opinions relating to general contract management arrangements and to the procurement and contract management of the Athena contract. We have identified a significant weakness in arrangements for contract management and procurement for 2022/23. Somerset Council is currently finalising an updated Procurement Strategy for approval.	No.	We have raised a key recommendation that robust procurement and contract management arrangements should be implemented at Somerset Council. Consideration should be given to the strengths and weaknesses identified in each of the predecessor council's arrangements.

Follow-up of previous recommendations

Somerset County Council (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
8 When contracts are extended the Council should publish the decision in a timely manner through the contracts register.	Improvement	November 2022	<p>Internal audit provided two limited assurance opinions relating to general contract management arrangements and to the procurement and contract management of the Athena contract.</p> <p>We have identified a significant weakness in arrangements for contract management and procurement for 2022/23.</p>	No.	We have raised a key recommendation that robust procurement and contract management arrangements should be implemented at Somerset Council. Consideration should be given to the strengths and weaknesses identified in each of the predecessor council's arrangements.
9 The Council should continue to focus on reducing the number and value of procurement breaches and waivers in order to ensure procurement rules are followed.	Improvement	November 2022	<p>Waivers were last reported to the final Governance Board in January 2023. An annual report was produced and would have been presented to the Governance Board in April 2023 but this was cancelled due to local government reorganisation.</p> <p>Monthly waiver reports are now reported to the Somerset Council Statutory Officer Board.</p>	Yes	None.

Follow-up of previous recommendations

Sedgemoor District Council

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council should ensure it complies with the CIPFA Treasury Management Code of Practice with regard to reporting and undertaking detailed cash flow monitoring.	Key	February 2023	<p>Sedgemoor District Council approved the Treasury Management Strategy 2022/23 in March 2022, and quarterly Corporate Performance Reports to Executive included updates on treasury performance. Somerset Council considered the Sedgemoor District Council Treasury Outturn Report in October 2023. Therefore, the reporting requirements of the CIPFA Treasury Management Code have been complied with.</p> <p>Sedgemoor District Council continued with its reactive approach to cashflow monitoring for 2022/23, but we have made no further recommendations regarding this as no liquidity issues were noted for the Council during 2022/23.</p>	Yes.	None.
2 The Council and its LGR partners should ensure adequate resources are allocated to the planning and delivery of transformation and that business as usual activities are reviewed as required to create capacity.	Improvement	February 2023	Somerset Council has started to establish the governance arrangements for the transformation programme, but there has been limited progress in developing transformation business cases and projects for delivery. There is currently no Council-wide transformation programme or pipeline of savings that can be built into the MTFP.	No.	We have made a key recommendation that Somerset Council should implement the transformation programme at scale and pace in order to address the significant structural budget deficit.
3 The Council should develop and implement mitigating actions to address the budget pressure forecast for 2022/23.	Improvement	February 2023	Sedgemoor District Council delivered a £1.1m underspend for 2022/23.	Yes.	None.

Follow-up of previous recommendations

Sedgemoor District Council (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4 The Council should disclose in public budget monitoring and outturn reports the net contribution that commercial property makes to the General Fund Budget, after accounting for fees, reserve movements, MRP and interest payable.	Improvement	February 2023	The net contribution that commercial property makes to the General Fund was not reported in budget monitoring or outturn reports. We recognise that the recommendation was only reported to Audit Committee three weeks before vesting day for the new Council.	No.	We have raised a key recommendation that Somerset Council should ensure that proper governance arrangements are in place to oversee the disposal of the commercial property portfolio. This includes regular reporting of financial performance to Members.
5 The Council should approve the annual business plans for its subsidiary companies.	Improvement	February 2023	Executive approved the Aspen Housing and Development Ltd Business Plan 2023/24 at their meeting of March 2023.	Yes.	None.
6 As part of the budget process for 2023/24 and through LGR workstreams, Sedgemoor District Council should support Somerset County Council in working to address key budget risks.	Improvement	February 2023	Somerset Council set a balanced budget for 2023/24. The commercial investment property portfolio has been reviewed and the Council is in the process of reviewing levels of reserves and the capital programme. However, Somerset Council continues to face significant financial challenges.	Partially.	We have made further key recommendations in response to the financial challenges that Somerset Council faces relating to transformation, reserves, demand led services and commercial property.

Follow-up of previous recommendations

Somerset West and Taunton Council

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 As part of the budget process for 2023/24 and through LGR workstreams, Somerset West and Taunton Council should support Somerset County Council in working to address key budget risks.	Improvement	December 2022	Somerset Council set a balanced budget for 2023/24. The commercial investment property portfolio has been reviewed and the Council is in the process of reviewing levels of reserves and the capital programme. However, Somerset Council continues to face significant financial challenges.	Partially.	We have made further key recommendations in response to the financial challenges that Somerset Council faces relating to transformation, reserves, demand led services and commercial property.
2 The risk register reported to Members through the Corporate Performance Reports should include mitigating actions, gross and residual risk scores, and risks should be mapped to corporate objectives.	Improvement	December 2022	The risk register reported to Members did not include detail of mitigating actions for 2022/23 and risks were not mapped to corporate priorities.	No.	We have made an improvement recommendation that robust risk management reporting arrangements should be implemented for Somerset Council, including reporting mitigating actions and mapping risks to corporate priorities.
3 The Council and its LGR partners should ensure adequate resources are allocated to the planning and delivery of transformation and that business as usual activities are reviewed as required to create capacity.	Improvement	December 2022	Somerset Council has started to establish the governance arrangements for the transformation programme, but there has been limited progress in developing transformation business cases and projects for delivery. There is currently no Council-wide transformation programme or pipeline of savings that can be built into the MTFP.	No.	We have made a key recommendation that Somerset Council should implement the transformation programme at scale and pace in order to address the significant structural budget deficit.

Follow-up of previous recommendations

Somerset West and Taunton Council (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4 The Council should ensure that its strategic partners are recorded in a register that identifies the corporate priorities that they contribute to and the risks associated with the partnership.	Improvement	December 2022	A Somerset-wide partnership register was compiled during 2022/23 to document the significant partnerships in place. The register identifies 378 partnerships, 20 of which are defined as strategic, and provides information relating to the scope and purpose of these partnerships.	Yes.	None.
5 The Council should highlight to the LGR Programme previous internal audit recommendations relating to procurement.	Improvement	December 2022	<p>Somerset West and Taunton was working to strengthen procurement arrangements following a limited assurance internal audit review in 2020/21. Due to limited resources in the run up to LGR some actions were not progressed, including rolling out procurement training across the Council.</p> <p>Somerset Council is currently finalising an updated Procurement Strategy for approval.</p>	In progress.	We have raised a key recommendation that robust procurement and contract management arrangements should be implemented at Somerset Council. Consideration should be given to the strengths and weaknesses identified in each of the predecessor council's arrangements.

Follow-up of previous recommendations

South Somerset District Council

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 Risks within the risk register reported to the Audit Committee should be mapped to corporate objectives.	Improvement	February 2023	The risk register reported to Members did not include risks that were mapped to corporate priorities.	No.	We have made an improvement recommendation that robust risk management reporting arrangements should be implemented for Somerset Council, including mapping risks to corporate priorities.
2 The Council should ensure that it complies with the requirements of the Local Audit and Accountability Act.	Improvement	February 2023	The Council responded to the queries raised by members of the public under the Audit and Accountability Act and procedures were put in place so that requests were properly considered.	Yes.	None.
3 The Council should work with its LGR partners to ensure adequate resources are allocated to the planning and delivery of transformation and that business as usual activities are reviewed as required to create capacity.	Improvement	February 2023	Somerset Council has started to establish the governance arrangements for the transformation programme, but there has been limited progress in developing transformation business cases and projects for delivery. There is currently no Council-wide transformation programme or pipeline of savings that can be built into the MTFP.	No.	We have made a key recommendation that Somerset Council should implement the transformation programme at scale and pace in order to address the significant structural budget deficit.
4 The Council should continue to identify mitigating actions to manage the forecast overspend for 2022/23 and deliver a balanced budget.	Improvement	February 2023	South Somerset District Council delivered a £0.7m underspend for 2022/23.	Yes.	None.

Follow-up of previous recommendations

South Somerset District Council (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 The Council's budget setting and outturn reports should provide public information on the gross and net contribution that commercial property makes to the General Fund.	Improvement	February 2023	This information continued to be provided through the exempt Commercial Investment Asset Update Reports to Executive during 2022/23. We recognise that the recommendation was only reported to Audit Committee a week before vesting day for the new Council.	No.	We have raised a key recommendation that Somerset Council should ensure that proper governance arrangements are in place to oversee the disposal of the commercial property portfolio. This includes regular reporting of financial performance to Members.
6 The Council should seek to further strengthen governance arrangements for SSDC Opium Power Ltd.	Improvement	February 2023	It is noted that Somerset Council has approved the disposal of the commercial investment property portfolio.	N/A.	We have raised a key recommendation that Somerset Council should ensure that proper governance arrangements are in place to oversee the disposal of the commercial property portfolio.
7 As part of the budget process for 2023/24 and through LGR workstreams, South Somerset District Council should continue to support Somerset County Council in working to address key budget risks.	Improvement	February 2023	Somerset Council set a balanced budget for 2023/24. The commercial investment property portfolio has been reviewed and the Council is in the process of reviewing levels of reserves and the capital programme. However, Somerset Council continues to face significant financial challenges.	Partially.	We have made further key recommendations in response to the financial challenges that Somerset Council faces relating to transformation, reserves, demand led services and commercial property.

Follow-up of previous recommendations

South Somerset District Council (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
8 The Council should ensure that recharges from support services to front line services are made using an appropriate basis for apportionment when compiling statistical returns.	Improvement	February 2023	This recommendation was not implemented. Due to local government reorganisation South Somerset District Council did not submit any further RA Returns to the government after the recommendation was made.	No.	We have raised an improvement recommendation that robust arrangements should be implemented for benchmarking service cost and performance at Somerset Council. This includes ensuring the data submitted in statistical returns is robust and up to date to allow for meaningful benchmarking.

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and

have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We will conduct our audit in accordance with:

International Standards on Auditing (UK)

the Code of Audit Practice (2020) published by the National Audit Office, and

applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We have not yet completed the 2022/23 financial statement audits for Somerset County Council, Sedgemoor District Council, Somerset West and Taunton Council, or South Somerset District Council.

Once these audits are completed this Auditor's Annual Report will be updated for any significant findings and issued as a final version.



Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to 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.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No.	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes.	Pages 14 - 25
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes.	Pages 46 - 47 Pages 54 - 56 Page 61

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Somerset Council

Full Council
20 February 2024



Report of the Leader and Executive – Items for Information

Executive Member: Councillor Bill Revans – Leader of the Council and Lead Member for Governance and Communications

Division and Local Member: All

Lead Officer: David Clark – Service Director - Governance, Democratic and Legal Services and Monitoring Officer

Author: Mike Bryant - Service Manager - Democratic Services

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

1. Summary

- 1.1. This report covers key decisions taken by the Leader, Executive Lead Members and Officers between 15 December 2023 and 9 February 2024, together with the items of business discussed at the Executive meetings on 15 January 2024 and 7 February 2024.

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

2. Details of decisions

- 2.1. Agenda and papers for the Executive meetings held on 15 January 2024 and 7 February 2024 are published within the Executive webpages on the Council's website. Individual Leader, Executive Lead Member and Officer key decision records and related reports are also published within the Decision webpages on the Council's website.

Decision Title (Link to further information and decision paperwork)	Decision Maker and date of decision
Contract Award: Sports & Leisure Hub project in Glastonbury	By Lead Member for Economic Development, Planning and Assets, Executive Director of Climate and Place on 26 January 2024
Disposal of Taunton Technology Park	By Lead Member for Economic Development, Planning and Assets, Deputy Leader of the Council and Lead Member for Resources and Performance on 19 January 2024
Firepool appointment of public realm contractor	By Lead Member for Economic Development, Planning and Assets on 18 January 2024
2023/24 General Fund Budget Monitoring Report - Month 7 - End of October 2023	By Executive on 15 January 2024
Decision to award contracts for Early Help and Prevention Services in Somerset	By Executive on 15 January 2024
Sign off of Equality Objectives and Action Plan from EFLG Peer Challenge	By Executive on 15 January 2024
2024/25 Budget and Somerset Council Vision update	By Executive on 15 January 2024
Asset and Service Devolution Framework	By Executive on 15 January 2024
Somerset Strategic Migration Board	By Executive on 15 January 2024
Asset and Service Devolution Framework	By Executive on 15 January 2024
Award of Contract to supply Winter Gritter vehicles	By Service Director of Infrastructure and Transport on 12 January 2024
Contract Extension for Advocacy Services	By Executive Director of Adult Services on 3 January 2024
Award of a contract for highway lighting and other electrical assets	By Leader of the Council and Lead Member for Governance and Communications, Executive Director of Climate and Place on 22 December 2024

Controls for the Householder Deposit of Commercial and Industrial Waste at Recycling Centres	By Lead Member for Environment and Climate Change, Executive Director of Climate and Place on 22 December 2024 (note – Special Urgency Procedure)
Appointment of contractor for Demolitions of NTWP and Wordsworth Drive	By Lead Member for Communities, Housing and Culture, Service Director of Housing on 21 December 2024
Healthwatch Somerset	By Executive Director of Adult Services, Lead Member for Adult Services on 19 December 2024
2023/24 Budget Monitoring Report - Month 9 - End of December 2023 Q3	By Executive on 7 February 2024
2023/24 Capital Budget Monitoring Report - Q3	By Executive on 7 February 2024
2023/24 Housing Revenue Account Capital and Revenue Budget Monitoring Report Q3	By Executive on 7 February 2024
2024/25 HRA Budget setting report	By Executive on 7 February 2024
2024/25 Treasury Management Strategy	By Executive on 7 February 2024
2024/25 Capital Strategy	By Executive on 7 February 2024
2024/25 General Fund Capital Budget	By Executive on 7 February 2024
2024/25 General Fund Budget and Medium-Term Financial Plan	By Executive on 7 February 2024
Developing the Approach to Transformation	By Executive on 7 February 2024
Heart of the South West LEP Transition	By Executive on 7 February 2024
Determination of 2025/26 Somerset Council Admission Arrangements	By Executive on 7 February 2024
Award of contract for statutory and other direct mail printing services	By Service Director of Finance and Procurement on 9 February 2024

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Somerset Council

Full Council
20 February 2024



Annual Report – Lead Member for Adult Services, Somerset Council

Executive Member: Councillor Bill Revans, Leader of Somerset Council

Local Member(s) and Division: All

Lead Officer: Mel Lock, Director – Adult Social Care (ASC), Somerset Council

Author: Niki Shaw, Deputy Director – Strategy, Transformation and Performance, ASC

Contact Details: niki.shaw@somerset.gov.uk

1. Summary

- 1.1 We are proud to present the Lead Member’s Annual Report setting out key highlights and achievements of Adult Social Care services in Somerset over the past year. In doing so, we wish also to pay tribute to Councillor Dean Ruddle, who was serving as the Lead Member for Adult Services at the time of his death last month.
- 1.2 Councillor Ruddle was a committed, compassionate and very popular elected Member; a remarkable advocate for Somerton and dedicated to serving the wider community with enormous energy and drive. We will greatly miss his input and contributions, and formally recognise his significant work in and support of our Service as we reflect on our progress this past year and drive forward our ambitions into 2024/25 and beyond.

2. Background

- 2.1 Social care is an essential part of the fabric of our society. At its best, it enables and transforms lives. It supports people to live the lives they want to lead, where they want to live them. The scale of adult social care and support is vast, affecting the lives of over 10 million adults of all ages in England. People of all ages and with a diverse range of needs draw on care and support in different ways and at different stages of their life; some people will require support throughout their life whilst for others care needs will develop suddenly or gradually. Some people may only use social care for a short period (for example after a hospital stay). Care and support can cover a range of activities to promote people’s wellbeing and support them to live independently, staying well and safe. It can include ‘personal care’ as well as

wider personalised support to enable people to stay engaged in their communities and live their lives in the way they want.

2.2 *In Somerset, we want people to live healthy and independent lives, supported by thriving and connected communities, with timely and easy access to high quality and efficient support when they need it.*

We formally launched our Adult Social Care Strategy (2023-26) ¹in July 2023, setting out how we would continue to work to deliver our vision in partnership to ensure we deliver the right kind of care and support for our local communities, and the best possible outcomes within the resources available to us.

2.3 There are many recognised challenges currently facing the adult social care right across the country. The cost-of-living crisis is biting harder for the public, staff and social care providers, and workforce pressures persist. Local Authority budgets right across the country have also struggled to keep pace with rising costs and increasing complexity and rising numbers of people needing support. This is a recognised and current concern here in Somerset, with the Council forced to take significant emergency measures to address the funding gap (due in large part to a significant increase in the cost of adult social care for 2024/25), limit spend and mitigate the risk of having to issue a s114 notice.

2.4 In spite of these financial, demand, and capacity-related pressures, our staff and partners continue to work tirelessly to deliver our statutory duties to the best of our ability. We are very proud of the many developments and successes achieved over the last 12 months in relation to how we work with people, provide support, ensure safety, and lead our service, as well as the feedback we receive from stakeholders.

Performance and demand: Adult Social Care in numbers during 2023

- We received an average 5,462 contacts per month via our Customer Contact Centre for care and support related advice or activity. The overall resolution rate at first point of contact was 60.8% against a target of 60%.
- We supported over 8,000 adults through our Local Authority Adult Social Care service, and many more as part of our wider health and care system.
- Our social care teams completed over 8,740 assessments (including Care Act, Occupational Therapy, Carers, and Mental Capacity Assessments) and 5,456 reviews of individuals care and support needs.
- We undertook 594 Safeguarding Enquiries, reducing or removing the identified risk in 92% of cases.
- We supported over 84.1% of individuals aged 65 and over to be discharged back home from hospital each month - over 26,000 people.

¹ [Adult Social Care Strategy 2023_2026.pdf \(somerset.gov.uk\)](#)

- We sourced 24,371 hours' worth of home care provision for people assessed as requiring care and support at home, and 726 residential and nursing placements.
- We received 282 independent submissions of stakeholder feedback, of which 226 (80%) rated the service received by our staff as 'Good' or 'Excellent'. We received 253 complaints during 2023 – most commonly relating to 'provision' or 'funding'.
- We conducted over 490 Practice Quality Audits (Sept-Nov 2023) focused on 'working with people', 'case recording', and 'strengths-based practice'.
- 80.3% of Somerset's active (independent) residential care settings and 85% of active community-based adult social care settings were rated 'Good' or 'Outstanding' by the Care Quality Commission as of end of December 2023, exceeding national and regional averages in both instances.

The following reflects just a small selection of our key Adult Social Care achievements and developments across our 4 Strategic Plan priority areas:



Prevention and early help

We have continued to develop viable care alternatives to reduce and delay the need for long-term care. This includes our ongoing investment in digital and community equipment:

- Our county now benefits from 3 **Somerset Independent Living Centres** (Wellington, Shepton Mallet, and – most recently – Yeovil). These therapy-led services focus on prevention and offer free, practice advice. We take a 'whole life' approach to how people can use technology to support all aspects of their lives – managing health conditions, reducing falls, supporting daily tasks or reducing social isolation. Demand for SILC appointments continues to grow and customer feedback is very positive. SILC intervention was projected to delay the need for/an increase in home care services in 16% of attendees looking at the period Dec 2023-Jan 2024, delaying 168 projected home care hours (per week) at a cost of £3,722. Our Adult Social Care Technology Enabled Care offer will be available in all SILCs, allowing staff to demonstrate all items on the catalogue and prescribe directly where appropriate.

We remain committed to ensuring unpaid carers are valued, recognised and supported across Somerset:

- We jointly commission a **Somerset Carers' Support Service** with Somerset NHS ICB. This provides a one-stop shop approach to ensure all unpaid carers in Somerset can receive the support they require, when they need it, via a single point of contact. There is a focus on early help and prevention with the service helping

carers find support within their local communities. The service supports approximately 3k carers directly per annum, with the addition of a digital offer supporting approximately 20k carers currently and continuing to rise. A refresh of Somerset's Commitment to Carers will be launched in March 2024; this has been co-produced with carers in Somerset and sets out some key priorities and recommendations to ensure that local services continue to meet carer needs.

We have maintained an effective 'front door' service that enables earlier intervention and prevention:

- Somerset has long adopted a strengths-based approach to assessment to ascertain people's assets, needs and wishes, and ensure our focus is on improving outcomes for people. This is an approach adopted from the very first point of contact with our **award-winning Customer Contact Centre**, which shifted its focus over the years from traditional 'scripted' conversations and the monitoring of outputs, to person-centred conversations and monitoring of outcomes. By changing the conversation to focus on what matters to the person, what they can do to help themselves and promoting what is available in their local community, we have seen the proportion of contacts resolved with no costed service at first point of contact significantly improve (averaging around 60% month on month despite call volumes remaining high).



Right support, right place, right time

We have invested in the development of voluntary and community enterprises:

- Since 2014/15, we have supported the development of over 1,250 new micro-providers with numbers continuing to rise. Collectively they deliver over 30k hours of support a week to just under 6k people in Somerset. This increased personalised 'care at home' capacity of local, flexible and responsive support has meant that people are getting a greater opportunity to choose bespoke, local and small services to help meet their care and support needs.

We have promoted direct payment options enabling people to maximise their choice and control about how to meet their care and support needs:

- Somerset has a much higher than average take-up of direct payments. This is a good indicator of how the LA is helping people exercise independence through autonomy choice and control. Much of this is associated with the development and success of our thriving micro-provider offer (outlined above). Between 2015-2019 we had 610 adults join the scheme. In 2023 alone we had 351 join. Since March 2023, we have been running a Direct Payment Plus pilot with Enham Trust providing options for people who want to exercise strong influence over their support but cannot manage the responsibilities that come with a Direct Payment themselves and

have no one available to support them. 21 individuals are currently benefitting from this pilot out of a cohort of 25; the pilot runs to the end of March 2025.

We have enhanced our ability to source suitable, timely care and support:

- Levels of unmet homecare need have vastly improved and are being sustained at very low levels despite demand for home care remaining significant. In December 2022 48 packages of care had not been sourced after a week of promotion to care providers; by December 2023 this end of month position figure had dropped to 0. This is a significantly improved position and consequent to a variety of focused commissioning and workforce-related activity. Care package contract handbacks have also significantly reduced when compared with recent years suggesting a stabilisation in the market, averaging 13 per month in 2023 compared to 20 per month in 2022.

We have continued to focus on ensuring safety, preventing abuse and neglect and identifying risk early through effective local safeguarding arrangements:

- Somerset continues to perform strongly in comparison to national and regional figures in relation to 'Making Safeguarding Personal' measures; latest comparative data published in the autumn of 2023 reveals that where risks were identified, these were reduced or removed in 92% of cases. Our Safeguarding Adults Board has benefitted from the appointment of a nationally renowned and very experienced Independent Chair and has delivered significant improvements over the last 12 months. This includes the production and maintenance of a range of professional guidance to support adult safeguarding knowledge (including risk decision making tools and a self-neglect toolkit), and a range of public-facing communications to promote awareness of abuse and neglect including a [new campaign](#) launched for Stop Adult Abuse Week in November 2023.



A supported, skilled and flexible workforce

We have progressed our Adult Social Care Workforce Strategy and action plan

- Our Workforce Board meets monthly to monitor recruitment and retention trends and progress the 10 themes within our Workforce Strategy. We have invested in developing our own workforce and that of partner organisations involved in providing services as a way of supporting sustainability and filling hard-to-recruit critical posts. This has included overseas recruitment initiatives, with 12 Social Workers recruited into adult social care as part of our **International Recruitment project with Morgan Hunt** since September 2022. We are now commencing Cohort 3 recruitment.

We have worked to create the right environment and conditions for robust and effective strengths-based practice:

- A significant amount of focused work has been undertaken to support our workforce and enhance our **practice development and oversight offer**, led by our Principal Practice Leads. Over the last year we have embedded a range of new or revised approaches to support us in this space and respond to staff feedback, including:
 - o a refreshed and co-produced Practice Quality Framework aligned to a monthly auditing schedule and informed by people who draw on our services. The PQF sets out clear practice standards and expectations for our workforce and forms an important part of our governance and assurance approach.
 - o clear competency frameworks to support the continued professional development of our operational workforce;
 - o a revised supervision and appraisal approach taking into account staff feedback and audit findings.

Since September 2023, 668 internal practice standard audits have been completed by staff at all levels in the service. These have reassured us of practice in aspects such as how we work with people (with 95.4% of audits undertaken evidencing we built positive relationships based on trust, kindness and respect) and the quality of case recording (with 88% evidencing that our records are person-centred and capture the views, wishes and feelings of the person or their representative). They've also offered us valuable learning opportunities including improving the use of case transfer summaries and reducing the use of acronyms in our records, which we're progressing with the support of our Practice Development Advanced Practitioners.

We have re-structured our adult social care operational teams as part of our commitment to integrated working with partners at a neighbourhood level

- This has included the **introduction of specialist Learning Disability teams and Mental Health teams** under dedicated Strategic Managers, reinforcing the unique identity of these functions and providing expertise and professional leadership and management to drive the performance of the workforce and deliver priorities and service targets for those requiring care and support. The teams work very closely with commissioners and health colleagues, and this degree of collaboration and joint-working is a particular aspect of health and social care that we are very proud of in Somerset.



Future focused

We are contributing and responding to external assurance, assessment and sector-led improvement activities

- We continue to seize opportunities for learning and improvement. In early March 2024, we will welcome a Local Government Association Adult Social Care Assurance Peer Challenge to assist our preparations and readiness for an upcoming (yet to be notified) Care Quality Commission assessment² following the launch of this new national regulatory regime in April 2023. We are maintaining a detailed self-assessment to support both internal and external scrutiny and assurance, and welcome the opportunity for external scrutiny of our Somerset offer and provision under the Care Act 2014.

We have strengthened our capacity and capability for transformation

- In the summer of 2023, Somerset Council engaged Newton Europe as a delivery partner to deliver its Adults Transformation Programme, titled 'My Life, My Future'³. This programme is aligned to our Strategy and details 5 workstreams impacting different teams and with different operational and financial targets associated:



We are already starting to see some really encouraging results and impacts, including **more people going home from hospital** (7 more people per week are being supported by health or social care teams at home rather than unnecessarily staying in hospital or equivalent), and, by exploring more creative ways to meet people's care and support needs, people are requiring fewer hours of council-funded care per week, reducing by 24% from 14.3 hours per week in September 2023, to 10.8 hours per week in December 2023.

² <https://www.cqc.org.uk/guidance-providers/local-authorities/assessment-framework-local-authority-assurance>

³ [Somerset County Council](#)

Adult Social Care Stakeholder Feedback, 2023

The feedback continues to offer us valuable insights into the experience of service users and carers, our partner colleagues and other key stakeholders, providing opportunities for learning or improvement, reducing risks of complaints escalating, and enabling monthly 'staff shoutouts' and greater recognition based on independent feedback.

Analysis shows that the single biggest element and influencer of both positive and negative feedback is communication – how clear, responsive, professional and compassionate we are in our respective job roles makes a fundamental difference to the experience of those we engage with and support. **Keeping in touch with people goes a long way, even if to only explain a situation or delay, and helps prevent more time-intensive activity further down the line.**

"From the moment I was first referred, I have never felt so cared for and treated as if I mattered. So much has come from the first meeting, problems I have put up with for years are now being resolved. I am truly grateful for the help and support"

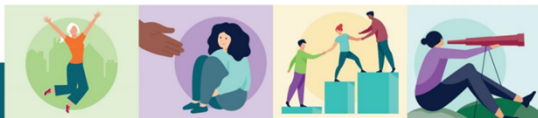
"At a very difficult time Sarah was absolutely superb; my Father had a stroke 8 years ago and although he presents well, she saw through this to understand his true vulnerability. She cut through a lot of issues taking pressure from me and my siblings allowing us to focus on caring for our mother who has just been diagnosed with stage 4 cancer.

"I honestly cannot fault the care, communication and hard work provided to help assess my father's dementia needs. I have been kept informed every step of the way with very well explained emails & phone calls. It is so refreshing to have someone who really cares about the welfare of all concerned"

"Tabitha was fantastic from first to last contact. She was always very caring and attentive and was great with my dad. She always explained everything very clearly and I always felt like she cared about my dad and his family. That must be very hard when I'm sure you are all very busy"

"Prior to the stroke my father was completely independent and living a fulfilled life- even going for a cycle ride at 6.00am on the morning of his stroke which has been life changing. The adjustment for my father has been enormous- physically, mentally and emotionally and for family also. Heather has been amazing. Calm, professional, positive, understanding, fantastic listening skills, and very person centred. My dad felt supported and that he was important. Heather did everything she could to help. Thank you, Heather, and thank you adult social care for all you do. I do not think it is recognised enough how social work can make such a difference in people's lives".

"Before you came into our lives I was physically and mentally a mess; no-one to talk to; no-one to help, no future. I got to the stage where I was tempted to end it all. It wasn't till I spoke to you that I started to think maybe there is possibly hope. Over the months I have spoken to you the problems we faced are not so big. I could say thank you a million times, but it would never repay you".



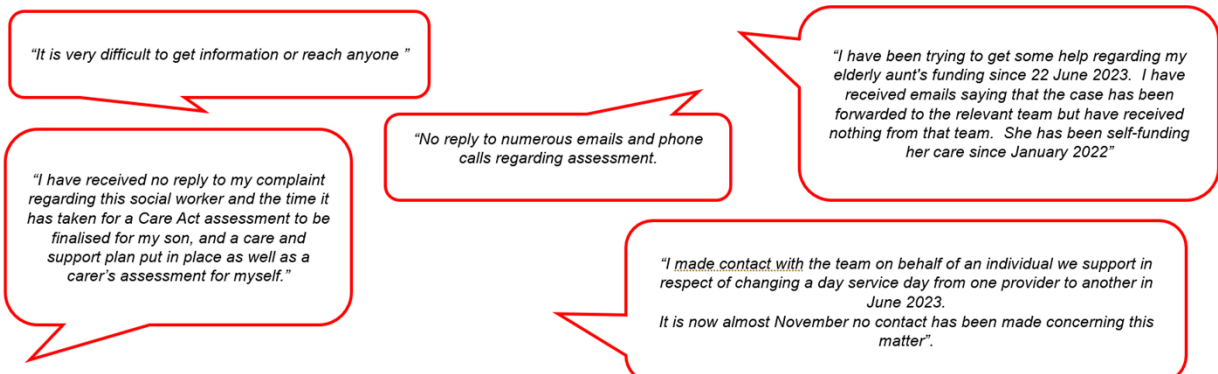
Adult Social Care Stakeholder Feedback, 2023

We received particularly consistent levels of positive feedback for the work of our **Sourcing Care team** (89.5% Good or Excellent during 2023) and **Care Provider Quality & Contracts Team** (93.3% Good or Excellent during 2023). Our **Independent Living Centres** also generate great feedback:

Sourcing Care feedback examples	Quality/Contracts feedback examples	SILC feedback examples
"Communication is always very good"	"This was an unannounced visit to the Care Home. The team that visited showed understanding and shared very useful links and resources to support the service. They had a job to do and they did this with fairness and respect."	"Everyone involved today were professional but so caring and thoughtful. Excellent all the way through. Fantastic service"
"When we started our business, you helped us to grow and develop. We are very grateful and much obliged for all your unconditional support over the years. Few years ago, when we started, we were only providing a single run in Taunton area, then we were able to make 3 runs in Taunton itself and later we were able to extend our services to other parts of Somerset including Wellington, Bridgewater, Minehead, Watchet etc. We would not have gone this far without your invaluable support"	"Always going above and beyond with her support and paying attention to the small details. Sharing her skills and knowledge openly and sign posting to the right services and professionals when needed. She has been invaluable during the quality improvement"	"What an interesting and enlightening appointment with Sophie. We had attended for an assessment for my elderly mother to see what help would be available to her to enable her to stay in her own home. Sophie was compassionate, sympathetic, and explained very clearly all the wonderful things that would make life much easier for mum. The future looks much more positive for her now."
"Any request or issue are very seriously and responsibly treated by Sourcing Care"	"Christine has been hugely supportive of Baobab Care, and has been flexible with our needs and changes too and giving us strong advice and guidance on compliance including giving us advice on how to do competencies with specific subject matters"	"SILC appointment came quickly, we were seen on time, we were treated professionally and with care. Communication since the appointment has been brilliant via email and phone. The service is 10/10 and a gold star should be awarded."
"Charlie was really helpful when I called for support for an urgent placement. The whole team is very responsive and helpful in emergency situations"	"The assessment/meeting was conducted in a professional manner. The conversation flowed and we certainly learnt a lot which will benefit our service. Both were available to answer any questions or queries. We felt the meeting was invaluable and welcome more in the future"	"What can I say? Sophie was our knight in shining armour. She came into our home at a time where we were feeling very overwhelmed with processes, Sophie came in and explained them in simple terms and made us feel so much more reassured. Sophie is going to arrange for our bathroom to be adapted which is going to make a huge difference to my partners life and enable her to stay living at home for the rest of her life as she is desperate to"
"Charlie and Shaunna have both gone over and above to support me in sourcing a placement for an individual who is a Somerset resident but currently a patient in a community hospital out of area. I am very grateful for their support in working towards achieving the right outcome of the individual and their family"	"Kelly gave us a courtesy call today following our CQC inspection and was compassionate and supportive towards us, we didn't feel ashamed and felt listened to. We will most definitely be making the most of her support"	"We and I (my wife with memory loss becoming more severe- now reflected in her lack of mobility) had been told about SILC. Access into the bath has become a huge problem. The visit to the SILC at Shepton Mallet has shown me a solution to the problem, and Helen was most courteous and helpful"

Adult Social Care Stakeholder Feedback, 2023

Responsiveness is a key area for the service to continue to monitor and address. Whilst very likely reflective of recognised assessment and review backlogs and workforce capacity challenges faced by Local Authorities across the country, the overwhelming majority of poor/very poor rated feedback made clear reference poor communication and engagement from our (operational) teams/staff, or waiting for care and support:



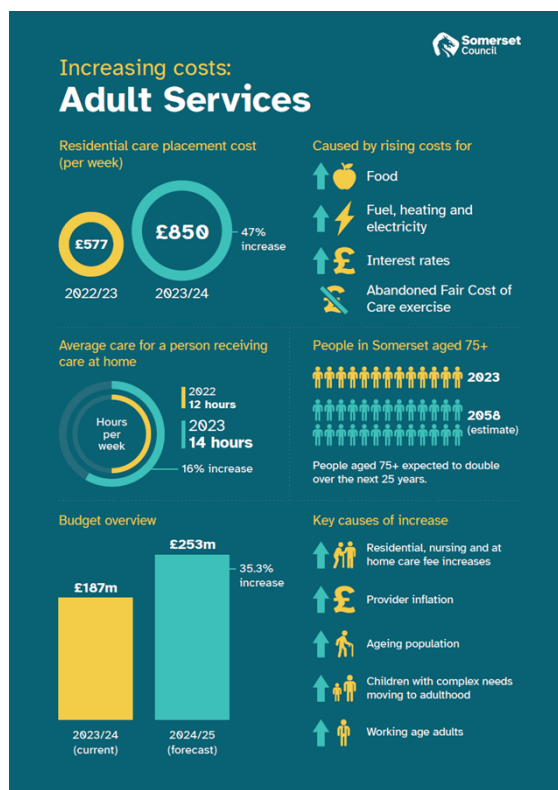
3. Key areas requiring our continued focus and attention

- Adult Social Care is committed to **improving opportunities for effective and meaningful co-production**, taking every opportunity to include people with lived experience and community organisations in the development of new and existing services. Our Working Together Board was formed in November 2023 following a series of co-production workshops. This is a partnership arrangement with people with lived expertise and carers.
- In common with many Local Authorities across the country, Somerset has **waiting lists for care assessments and reviews due to high demand for care and support, coupled with ongoing workforce capacity challenges**. We continue to work hard to address this and ensure consistent practice is in place to identify, respond and monitor risk. The overwhelming majority of feedback we receive about the approach and impact of our staff from people we care for and support is very positive (averaging 80% 'Good' or 'Excellent' throughout 2023). However, where this is not the case, feedback and complaints most commonly reference waits or delays in assessments or support.
- We are also committed to **increasing the number of carers assessments** undertaken by our operational teams and improve areas of concern emerging from the annual Carers Survey to ensure that unpaid carers have the best possible wellbeing outcomes and support.
- We wish to improve the accessibility of information and advice, and further promoting our adult social care 'offer' in Somerset.
- In May 2023 we published a Market Sustainability Plan for the older people care and support market which has informed our Market Position Statement. It highlighted the Council's ambition to meet the **fair costs of care** by 2025. This ambition was set prior to the Council's financial emergency, and consequently work is underway to review what we can offer in relation to Adult Social Care fees and charges for the coming 2024/25 financial year. There are significant upward pressure on fees for specialist services for adults with learning disabilities and mental ill-health in particular.
- As one of our five 'My Life, My Future' transformation programme workstreams, we are **focused on achieving more ideal outcomes for young people transitioning to adulthood**. Our work is concentrating on establishing more efficient processes and information sharing between childrens and adults services to enable early identification and planning of support, and on shaping the availability of suitable and cost-effective services to promote independence.

- Stabilising our workforce and **reducing reliance on locum staff** and maintaining a robust focus on **managing our budget and spend**.

4. Implications

4.1 Financial Risk Local Authority budgets have failed to keep pace with rising costs and increases in the number of people needing care:



Our current Adult Services overspend is £24.2m due to increases in both fee levels for care home placements and delivery of home care, offset by a number of in-year mitigations to reduce it to £14.9m. 90% of our budget is spent on individual placements purchased through the market via block and spot placements. Therefore, there is a significant risk that this budget will continue to overspend. This is due to increased demand, the cost-of-living rise, particularly the increases in petrol, gas, electric, food interest rates and increase in the national living wage. We have a number of mitigations in place including:

- Enhanced Peer Forums – offering robust financial and operating challenge
- Reviews of Interim Placements – helping identify those who should be self-funding/contributing towards their long-term care.
- My Life, My Future transformation – reducing the over-reliance on bed placements and re-designing the reablement service.
- Reviewing all high cost/complex placements.
- Reviewing void costs.

4.2 Legal / Reputational Risk The service has a range of statutory duties, primarily those within the Care Act 2014. These include the provision of social care, provision of preventative services and information/advice, the promotion of individual wellbeing, the promotion of integration between health and social care services, safeguarding adults at risk and Safeguarding Adults Boards, and market-shaping duties to support the choice, quality and sustainability of the care market. The Local Authority is now subject to external regulation in relation to its delivery of these duties by the Care Quality Commission. Failure to achieve a positive judgement outcome from these assessments would negatively impact on the Council and service's reputation, and also carry associated financial and workforce risks.

5. Background Papers

5.1 Appendix A – ASC Lead Member Annual Report Presentation Slides

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

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Somerset
Council



**A Healthy and
Caring Somerset**

Page 673

Lead Member for Adult Services Annual Report 2023 Summary

Full Council, 20 February 2024



**Prevention
and early
help**



**Right
support,
right place,
right time**



**A supported,
skilled and
flexible
workforce**



**Future
focused**

Performance & Demand: ASC in numbers (2023)

- We received an average 5,462 contacts per month via our Customer Contact Centre for care and support related assistance. 60.8% of these are successfully resolved at first point of contact through sign-posting or advice.
- We supported over 8,000 adults as a Local Authority Adult Social Care service, and many more through our wider health and care system activity.
- Our social care teams completed over 8,740 assessments of various forms, and 5,456 reviews of individuals' care and support needs.
- We undertook 594 Safeguarding Enquiries, reducing or removing the identified risk in 92% of cases.
- We supported over 26,000 people aged 65+ to be discharged home from hospital
- We sourced 24,371 hours' worth of homecare provision for people assessed as requiring care at home, and 726 residential and nursing placements
- We conducted over 490 internal Practice Quality Audits (Sept-Nov 2023) focused on 'working with people', 'case recording' and 'strengths-based practice'.



1. Prevention and early help

Key successes and highlights

- Our 3 therapy-led **Somerset Independent Living Centres** assisting people to use technology to support all aspects of their lives and offering practical advice
- Our **Somerset Carers Support Service** providing a one-stop shop approach to ensure support is available when carers need it via a single point of contact
- Our **Community and Village Agents** who also play a key role in our internal decision-making processes to help identify community solutions for people with assessed care and support needs
- Our **Customer Contact Centre** which resolves an average 60% of adult social care queries at first point of contact

Page 675

Key areas of ongoing focus and development

- Improving the **accessibility of information and advice**, and further promoting our adult social care 'offer' across Somerset.



2. Right support, right place, right time

Key successes and highlights

- Our continued investment in the development of over 1,250 **micro-providers**
 - Our **promotion of direct payment options** enabling people to have greater choice and control over how their care and support needs are met
- The significant **reduction in levels of unmet homecare need** and work undertaken to ensure homecare sufficiency to enable people to continue living at home for as long as it is safe to do so
- A **public-facing safeguarding awareness campaign** as part of wider work progressed by our Safeguarding service and Safeguarding Board to promote awareness of abuse and neglect, and how to respond to concerns.

Page 676

Key areas of ongoing focus and development

- Addressing **waiting lists for care assessments and reviews** due to high demand for care and support coupled with ongoing workforce pressures / vacancies
- Increasing the number of **carer assessments**
- Continuing to enhance our **reablement services** and support people to return home from hospital as soon as they are ready to do so
- Achieving more ideal outcomes for **young people transitioning into adulthood**
- Supporting the **sustainability of Somerset's care provider market** / fair cost of care



3. A supported, skilled & flexible workforce

Key successes and highlights

- Our **operational re-structuring** to ensure our workforce is fit for the future. This has included the introduction of specialist Learning Disability and Mental Health teams.
- Our **enhanced practice development and oversight offer**, including a refreshed Practice Quality Framework and monthly auditing scheduled, clear competency frameworks to support the development of our staff, and a revised supervision and appraisal approach.
- Our annual **Carnival of Practice**, with a recent theme of 'Storytelling' to support continuing professional development

Page 677

Key areas of ongoing focus and development

- **Stabilising our workforce and reducing our reliance on locums / agency staff** resulting from national challenges in recruiting social workers and occupational therapists. To support us in filling hard-to-fill posts, we have welcomed 12 overseas social workers to date and will soon recruit a third cohort.
- Continuing to implement our **Workforce Strategy action plan**, which includes a focus on recruitment and retention of our staff.



A supported, skilled and flexible workforce

4. Future focused

Key successes and highlights

- The launch of our **'My Life, My Future'** **transformation programme** progressing 5 workstreams across our teams to deliver operational and financial targets:
 1. Reablement
 2. Outcomes from decision-making
 3. Progression and enablement for individuals with learning disabilities
 4. Preparing for adulthood
 5. Data visibility and control.
- Inviting a **Local Government Association Assurance Peer Challenge** (March 2024) to support our self-assessment activity and readiness for future external assessment.

Page 678

Key areas of ongoing focus and development

- Improving opportunities for effective and **meaningful co-production**, taking every opportunity to include people with lived experience in the development of our services.
- We await a new **Care Quality Commission assessment** of our delivery of statutory duties under the Care Act 2014.
- Maintaining a strong focus on **managing our budget and spend**.



Future focused

Somerset Council

Full Council
20 February 2024



Annual Report of the Lead Member for Transformation and Human Resources

Executive Member: Councillor Theo Butt Philip - Lead Member for Transformation and Human Resources

Local Member(s) and Division: All

Lead Officer: Alyn Jones - Executive Director Strategy, Workforce and Localities

Author: Councillor Theo Butt Philip - Lead Member for Transformation and Human Resources

Contact Details: theo.buttphilip@somerset.gov.uk

1. Summary

1.1 This is the 2023-24 annual report of the Lead Member for Transformation and Human Resources. It describes the activity and achievements of services cross the Transformation and Human Resources portfolio during Somerset Council's first year of operation.

1.2 This report focuses on the five key areas of work within the Transformation and Human Resources portfolio. Each has had significant importance for the council:

- Progress of Somerset Council since Vesting Day on 1 April 2023. This includes delivering the financial and non-financial benefits of a single unitary authority and development of values and behaviours that we will work towards.
- Work to date on Local Community Networks.
- Asset and service devolution.
- Developing our relationships with partners.
- Our new, emerging approach to transformation to create a sustainable council fit for the future.

2. Progress of the Council since Vesting Day

2.1 Delivering the benefits of the new unitary council did not end on Vesting Day. As well as beginning to embed a new council in extremely challenging financial and economic circumstances, noted progress has included:

- Formation of the senior officer leadership team of the council. All services now have Executive and Service Directors in-post, which has provided leadership capability and delivered management savings in the region of £2.6m.

- Restructures both interim and permanent across a number of services have been continuing including additional senior management recruitment and rationalisation of posts, to release additional savings. To focus on the council's financial emergency and deliver a consistent approach to future changes, other restructures will now be part of the organisation redesign and workforce downsizing aspects of the council's new transformation programme (please see section 5 of this report for more detail).
- Delivering the savings calculated in the business case for a single unitary council. £18.5m were anticipated per year after two years of operation of the new council. So far, and subject to final validation, we will have delivered £7m of savings by the 31st March 2024. Another £9.7m has already been committed for delivery by 1st April 2025. A further £3.9m of LGR enabled savings have been identified (subject to decision making through the current budget setting process). Cumulatively this means we are on track to deliver savings of at least £20m by 1st April 2025. Clearly need to go further and faster than first envisaged.

2.2 During 2023-24 we have worked with staff and Councillors on the values and behaviours we want for our council, which we will collectively work towards.

- 56 workshops took place with staff across Somerset to discuss what values and behaviours would make Somerset Council a good place to work. Over 1500 employees and Councillors attended those workshops.
- Our organisational values are:



- We carried out a survey on these values and 96% of respondents agreed “I feel confident I can demonstrate these values in my role at Somerset Council.”
- For each of these values, we have detailed what behaviours we expect from colleagues, for example honesty and openness. We have also been clear what behaviours we do not want to see, such as blaming or disempowering others.
- These values and behaviours will underpin creation of the future council and the ways we work, for example the principles of organisational redesign and a new Target Operating Model.

2.3 Part of our work to develop a strong and positive culture even during these difficult times includes our obligations. In the last year, we have reviewed our health and safety practice and culture. In January 2024 the South West Audit Partnership undertook a high-level view of our health and safety governance at Somerset Council. Its purpose was to understand the health and safety culture here, and included a survey issued to all staff. This review concluded that the new council has worked to develop new and effective arrangements for ensuring health and safety in

the workplace, there is still work to do to embed those arrangements. After less than a year since Vesting Day this is a timely review showing progress has been made, with specific work to be done to continue to improve.

3. Work to date on Local Community Networks

3.1 Local Community Networks (LCNs) are intended to be a focus for community engagement and development for Somerset Council. With local partnership working at their core they will seek to improve outcomes for residents through establishing strong connections between Somerset Council, our communities and our partners.

3.2 In the last year 18 LCNs have been created, around natural communities across Somerset. They enable ever more collaboration by bringing together, at a local level, representatives from partner organisations, city, town and parish councils, community groups and residents. They are a forum for community discussion, engagement and influence, and increase participation in democracy and local decision making. Already they are:

- Identifying evidence-based community priorities across economic, social and environmental issues.
- Creating plans to reflect how the priorities will be addressed.
- Identifying and securing resource opportunities for local projects.

3.3 Our LCNs are created around natural communities.



3.4 LCNs first met in June or July 2023 in local venues and online to ensure nobody was excluded. In addition to electing Chairs and Vice Chairs, initial meetings focused on

starting to identify priorities for LCN's communities, building relationships and recognising what potential they have their communities. Initial priorities for LCNs cover a range of topics but often include children, young people, the climate and environment.

3.5 I have visited the majority of LCNs, either online or in person, to discuss and explain the financial emergency Somerset Council is experiencing. This has created a valuable opportunity for city, town and parish councils to better understand the implications for them and to discuss opportunities and possibilities in the context of asset and service devolution.

3.6 LCNs are already looking at how to solve local problems and take advantage of opportunities. These include:

- Taunton and Bridgwater LCNs tackling concerns over young people being involved in antisocial behaviour.
- As a result of serious flooding in some parts of Somerset a number of LCNs have convened a working group to identify the issues and consider how flooding in their areas might be mitigated. The Somerset Rivers Authority has also run workshops for interested LCNs to develop Parish Emergency Response plans.
- Building on the work of the Exmoor pilot all LCNs have been offered the opportunity to form a Highways working group which will be serviced and supported by Somerset Council Highways colleagues. Some LCNs are looking at employing Highways Stewards.

3.7 As we continue to review and develop the capacity of the LCNs we will build each local network to include a range of local partners and a range of community voices.

3.8 In the coming year our LCN Link Officers will become Public Health Ambassadors, further embedding the aspirations of the Improving Lives Strategy within our work in communities, leading to improved health and wellbeing outcomes for our residents.

3.9 We will continue to build LCNs as an inclusive and participative space where communities can work together with us to further develop and build place-based initiatives in a coordinated, joined up and resilient way to improve outcomes for our residents. We will also be considering the lessons learnt so far, including whether we need to tweak or review LCN boundaries.

4. Working with our town, city and parish councils and VCSFE partners, including on asset and service devolution

4.1 Somerset has almost 300 city, town, and parish councils, and several parish meetings. We value the immense contribution they make to every community in our county. They do so without remuneration, but with a massive sense of pride and out of civic duty. We have been working closely with our city, town and parish councils since the Government's decision on unitary for Somerset was first announced in

2022. We held two parish conferences in the run up to Vesting Day plus numerous workshops at village halls across Somerset as part of our Local Government Reorganisation programme.

4.2 City, town and parish councils were key consultees on developing Local Community Networks, and Somerset Council staff continue to meet online with parish clerks every fortnight to maintain that relationship and two-way dialogue, often with participation rates of over 80. This is an impressive turn-out for a mid-morning Wednesday slot, considering how many of these dedicated clerks are part time or have other jobs and other responsibilities.

4.3 Since the creation of Somerset Council, we have been committed to working with communities who want greater influence over local assets and services. Our city, town and parish councils have ambitions for us to devolve assets and service to them so they can make a bigger difference through local leadership. We recognise that not all parts of Somerset are in a position to do this, and that there are some concerns. This is why we created a programme of engagement with city, town and parish councils to understand their ambitions and how we can work together to achieve them.

4.4 Following a letter from the Leader of the Council in November, we have had responses from over 120 city, town and parish councils and there has been considerable interest stemming from that, with over 30 councils expressing an interest in asset and/or service devolution. Areas of interest include open spaces, asset and land transfer, and highways operations.

4.5 Building on this interest we are now developing priorities and timescales for devolution in the immediate term and over the next 2 years, including details of what savings and additional benefits are expected through devolution. Examples of work-in-progress include:

- Building on the initial pilot in Bridgwater to work towards completion of a significant program of asset and service devolution.
- Liaison with town and parish councils to ensure the continued availability of public conveniences.
- Significant engagement with Yeovil, Frome and Taunton Town Councils to deliver a package tailored to each area's needs.

4.6 Since Somerset Council declared a financial emergency in November 2023 our city, towns and parishes have stepped-up to support many of the services that our communities and residents value the most. This included looking to take on discretionary services and assets that may be at risk and could potentially be devolved. Conversations continue to be constructive and positive as together we seek ways to minimise negative impacts on our residents.

4.7 We have entered into a Memorandum of Understanding with the Integrated Care Board (ICB) and the voluntary, community, faith and social enterprise sector (VCSFE). We know that improving the health and wellbeing of Somerset's population cannot be achieved by one organisation alone. It is important now more than ever that we recognise and build on each other's strengths. The Council has been clear we are a listening organisation, open to new ways of working and focusing on the outcomes for our County. Somerset Council is committed to building a fairer, greener, resilient, more flourishing Somerset that cares for the most vulnerable. We will only achieve this through collective action, and it is now more important than ever to work together.

4.8 Rather than just focus our individual challenges we now need to make the most of the opportunities – One Unitary Council, One ICB and the vibrant, creative VCSFE sector are the foundations of a positive way forward. The MoU symbolises a commitment to deeper collaborative working and provides the framework to get our collective house in order and act together. We recognise that as a local authority we need to listen to our communities and that actions speak louder than words. Change takes time and is predicated on relationships and building trust. The MoU presents an exciting platform for us, it is the first step and requires all of us to think differently about how we work together.

4.9 The VCFSE are acknowledged key partner for the Council and broader Integrated Care System (ICS). The creation of the new Somerset Council provided the opportunity to clearly set out the Council's relationship with the VCFSE sector and to develop both a broader strategic and more joined-up approach to engaging, funding and working with the VCFSE. Our Executive has recognised this and created stable, core funding platform from which we can now build from.

5. Transformation to create a sustainable Council

5.1 Executive agreed a new vision for a sustainable Somerset Council and associated organisational design principles on 6 December 2023 which will seek to deliver a new, smaller, leaner, more productive council. Achieving this vision will be complex and require whole organisation transformation to maximise the opportunities of bringing together the five predecessor councils and meet our financial challenge.

5.2 A new transformation programme for the council is therefore being developed. It will bring together transformation and change across the entire organisation to ensure whole council oversight and prioritisation of resources and investment. It will play a significant role in creating a sustainable council for the future, including redesigning the council and how it operates.

5.3 The transformation programme will:

- Deliver a whole Council approach and oversight, moving away from silo working.

- Develop a Target Operating Model which will bring our organisational design principles to life: people and skills, organisation and governance, technology, data and insights, process and measures, partnership and localities.
- Focus on providing impact and value to the people and communities of Somerset.
- Contribute to the financial stability of the Council, delivering significant financial savings.
- Optimise the workforce size and structure, prioritising operational effectiveness and efficiency while maintaining sufficient capacity to fulfil our legal obligations.
- Reshape service delivery to meet the evolving needs of the people of Somerset, maximising collaboration and partnership working, seeking to devolve services and assets where appropriate.
- Streamline governance, processes and reduce bureaucracy.

5.4 An outline Business Case for transformation including governance arrangements was presented to the Council Executive on 7 February 2024. Whilst focussing specifically on the Workforce Reduction Programme which is necessary to enabling organisational change and redesign, the reshaping of the council will come from two other programmes running in parallel: Organisation Design and Innovation, and Partnerships and Devolution. Alongside the original intention of Local Government Reorganisation and our need for financial sustainability, our transformation programme will deliver the vision for the council endorsed by the Executive on 6 December 2023.

6. Conclusion

6.1 The declaration of a financial emergency in late 2023 to respond to the unprecedented financial and economic challenges facing the county, and the impact on demand for our services has changed the way the council must work in the future. Critical to success is transformation and our workforce, working in collaboration with partners and communities, and creating a council of the right size that is fit for the future. By doing this, economies of scale, strategic leadership and partnership working will help us to deliver a more effective public sector in Somerset and a more sustainable Council for the future.

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Somerset Council

Full Council
20 February 2024



Report from the Council's Five Scrutiny Committees

Chairs of Scrutiny Committees: Councillor Gill Slocombe, Councillor Gwil Wren, Councillor Martin Dimery, Councillor Leigh Redman, Councillor Bob Filmer

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

Author: Jamie Jackson, Scrutiny Manager

Contact Details: Jamie.jackson@somerset.gov.uk

1. Summary

1.1. The Scrutiny Committees are required by the Constitution to provide Full Council with a summary progress report and outcomes of scrutiny. This report covers meetings since December 2023

1.2. Members of the Council are reminded that:

- all Members have been invited to attend meetings of the three Scrutiny Committees and to contribute freely on any agenda item;
- any Member could propose a topic for inclusion on the Scrutiny Work Programme.

any Member can be asked by the Committee to contribute information and evidence and to participate in specific scrutiny reviews.

2. Background

2.1. The 5 Scrutiny Committees met 8 times over the period of 3rd December 2023 to 3rd February 2024, plus an additional informal member's workshop on the MTFP.

2.2. Scrutiny – Adults and Health

Scrutiny – Adults and Health met once over the stated period.

Meeting 07 December 2023

Crime and Disorder Overview Report

The committee received a presentation which covered the approach to community safety, the public health approach to violence, and an overview of

statistics and activities around violent and serious crime. They discussed the details of the Safer Somerset Partnership and the wide-ranging organisations involved in work around this, as well as breaking down the statistics and how they compared to other areas in the country.

Adult Social Care Budget Monitoring Month 5

The committee received a presentation on the current budgetary position, a breakdown of spending, in-year mitigations and the Medium-Term Financial Plan. The committee questioned the service on whether the checks and balances for provision of care were creating an additional cost and burden, and whether the increased reliance on VCSE would create pressures elsewhere in the system. Committee members were invited to attend an Enhanced Peer Forum to better understand the process.

Adult Social Care Transformation Programme

The committee received a presentation on the methods of transformation, progress, savings so far, and the projected savings. A discussion followed on the work being done with hospital discharges and the impact of the financial emergency on the transformation programme. It was agreed that there would be a quarterly update on the progress of the transformation programme.

Stroke Service - Results of Consultation

The committee received a report on the stroke service proposal and consultation process. This was an area that had received public interest, with both PQTs on this day relating to this topic, and an impassioned debate was had on the details of the proposal, the consultation, and the decision-making process.

At the conclusion of this discussion, the committee resolved it was not the best proposal for the people of Somerset, and the committee should write to the Executive to inform them. Further correspondence with the ICB on this topic followed over December and January as they moved towards making a decision at the end of January.

This is a topic that received public engagement from a local community group and another resident at the meeting.

2.3. Scrutiny – Children and Families

Scrutiny – Children and Families met twice over the stated period.

Meeting 12 December 2023

Work Programme

It was agreed that a key area of focus of this Scrutiny Committee would be the

budget and the implications of the financial pressures in Children's Services.

2023/24 Children's Services - Budget Monitoring

The committee received a presentation on budget monitoring, which focused on Home to School transport (mainstream and SEN), the Dedicated Schools Grant, and in particular the High Needs forecast deficit position. A discussion followed around the trends in numbers of residential and unregistered placements, the difference between statutory and non-statutory spending for Home to School transport and concern about the Dedicated Schools Grant deficit and the statutory override function. There was also a discussion around the Delivering Better Value programme, but it is too early to see the difference made by this programme in the figures.

Education, Health and Care Assessment and Plan 2022-2023 - Progress update

The committee received a report and presentation on Education Health and Care Assessment and Plans. It detailed statistics on the number of assessments requested, carried out, and the number of plans issued and refused as a result of these assessments. It highlighted the pressure the service is facing alongside the difficulties meeting statutory timescales with regard to annual reviews, particularly as the number of EHCPs is increasing. It explained the changes and improvements in the service to address these pressures.

A discussion around SEND and EHCPs followed. The chair thanked officers for the report and noted the update and the range of activities underway to support improvements.

Connect Somerset

The committee received a presentation on Connect Somerset, an approach to working together across public, voluntary, faith and community sectors to improve the lives of families and residents and a way of delivering early help in the community, connecting / building on existing networks with the aim of more efficient public sector delivery model. A discussion followed around how the model was going to be spread across the county and the geographic boundaries, how to keep people informed and updated, and whether it would create additional pressures on schools. The model focuses on relationship building and working with what support is already available, so it would not create additional pressures on schools. The committee thanked officers for the presentation and noted the update.

Children's Services Transformation Priorities 2023 - 2026

Following a discussion of the priorities at the previous meeting, the chair invited volunteers to focus on each of the priorities in order to enable better understanding.

2.4. Meeting 10 January 2024

At this meeting there were changes to the makeup of the committee, with Cllr Pauline Ham and Cllr Marcus Kravis appointed to replace Cllr Caroline Ellis and Cllr Jenny Kenton. Co-opted Member Mrs Eileen Tipper also stood down from her role.

Sufficiency Strategy for Children Looked After and Care Leavers

The committee received a presentation on the Sufficiency Strategy, explaining that sufficiency means ensuring there are enough high-quality homes for children in care and care leavers. There were several key areas, including increasing in-house provision for the most complex needs, supporting children at risk of going into care to stay at home, increasing the number of homes for children, improving choice and matching homes to children, and reducing cost.

The committee discussed: the need to find the right quality home for children and young people; one of the key areas is around preventing children and young people from coming into care in first instance; foster care recruitment, which is a national as well as a Somerset challenge; highlighted the increase in the number of children with complex needs; housing issues and work with providers; fostering data to provided. The committee thanked the officers and noted the report.

2023/24 Children's Services - Budget Monitoring

The committee received a presentation on the Children's Services Month 7 Budget Monitoring Position.

The committee highlighted the High Needs Deficit and the concern around this debt currently being underwritten by the government, but that is planned to end in 2026. They discussed the national context and the current plans in place to reduce this deficit. The Dedicated Schools Grant (DSG) Deficit Management Plan will be coming to this Scrutiny Committee in March.

Update on Short Break Provision (Respite)

The committee received a presentation which outlined short break provision, the statutory guidance around it, the resources, gaps, and opportunities, and the plans for the future. They explained the recent 'sprint' identifying issues in the service and that an action plan was being developed in January to redesign the process of accessing the provision. A discussion followed on the cost implications, the involvement of micro-providers, and the need to have a joined-up working. It was agreed that the action plan would be shared with the committee and an update provided in May.

Education Place Planning

The committee received a presentation on Education Place Planning, which provided an overview of statutory duties, the Somerset context, projection

modelling, education growth and challenges, local first approach, developer contributions, extended / expanded childcare offer and expansion of wrap around provision. A discussion followed around the data and projections, ensuring education gets the funding it needs, and the various challenges in providing wrap around care. The committee noted the update.

2.5. Scrutiny Committee – Climate and Place

Scrutiny Committee – Climate and Place met once over the stated period.

Meeting 17 January 2024

Work Programme

The committee received the Action Tracker, but due to a publishing error did not receive the Scrutiny Climate and Place Forward Plan report. Members reviewed the Action tracker and there was a brief discussion about the way in which outcomes are reported back to the committee. Members were advised that the Forward Plan report would be presented at the next meeting.

Economy, Employment, and Planning: Level 2 Devolution Deal Position Statement

The committee received an update report on the Level 2 Devolution Deal following the 2023 Autumn Statement Secretary of State for Levelling Up, Housing and Communities announcement on a change in the pace of devolution to accelerate the level 2 deals, which presents an opportunity for Somerset to start a national devolution journey. A brief discussion followed, and members noted the update.

Somerset Rivers Authority – Draft Strategy and Flood Action Plan 2024-2034

The committee received a presentation to accompany the draft Strategy and Flood Action Plan 24-34, the draft SRA Memorandum of Understanding and Constitution, and the draft of the SRA Funding Executive Key decision due to be considered by the Executive on 6th March 2024. Members asked about the role of the SRA, partnership working, specific schemes and project milestones, and questioned exactly how the SRA is funded. It was concluded that a summary of how the SRA is funded would be shared with the committee after the meeting, and the officer thanked the committee for the discussion and feedback.

Waste Services: Flex Collect Update

The committee received an update report on the Flexible plastics trial that was delivered to 3600 properties around Frome during May 2023. The trial included communications, engagement with residents and provided participants with a blue, transparent bags to present flexible plastics alongside the existing recycling

service. The trial yielded impressive results and The Council has in-principal agreement to extend the trial to 20,000 properties in the East of the County from spring/summer 2024. Members sought clarity on the types of materials included in the trial, and there was a request for further information regarding the ways in which those materials are processed and repurposed by the end user. Members noted the update.

2.6. Scrutiny Committee – Communities

Scrutiny Committee – Communities met once over the stated period.

Meeting 13 December 2023

Community Services Budget Monitoring Update

The committee received a presentation on the current budget position, the overall council budget, and the particular challenges of bringing the previous councils into a unitary budget. A discussion followed including how to deal with budget anomalies, how to prepare for the following year's budget with the projected figures, the impact of the financial control boards and how that can be measured, concerns about the pressure on town and parish councils, and whether councillors could be informed of specific areas of savings in order to keep working with communities. The committee thanked the officers for the report and noted it.

Glastonbury Festival Scrutiny Report

The committee received a report that covered the statutory functions provided by the council for Glastonbury Festival: Licensing, Food Safety, Structural Safety, Nuisance Prevention. Public Health, Civil Contingencies, Highways and Environmental Health are also involved. The recommendations were for continuous improvement and there were two particular areas: developing further measures to address noise, and crowd distribution and communication for crowd flows. A discussion followed around the cost to the council, the fees and business rates recouped from the festival, noise pollution, and the issue of external campsites and their licensing. The chair requested further updates on the engagement with Glastonbury Festival.

This was an item that garnered public interest and had two public questions submitted around the impact to the local community of Glastonbury Festival.

2023 Rough Sleeping Initiative Overview

The committee received a presentation that provided statistics and context around rough sleeping and detailed the Prevention approach and how the new Housing and Rough Sleeping strategy was being developed. A discussion followed, including officers clarifying and detailing specific areas of the policy and approach to rough sleeping, and how the team was working now that it was

under a unitary authority.

2023-24 HRA Revenue and Capital Budget Monitoring Report - Month 6 (Qtr2)

The committee received a report and presentation detailing the forecast overspend and how it will be financed. A discussion followed on the impact of the pandemic, the increase in repairs, and the HRA funding being subject to the same spending board requirement as the rest of the council.

2.7. Scrutiny Committee – Corporate and Resources

The committee met 3 times over the stated period, as well as an additional informal workshop on the budget and MTFP that members of all Scrutiny Committees were invited to.

Meeting 5 December 2023

2023/24 Budget Monitoring Report - Month 6 - End of September 2023

The committee received a report and presentation which went into detail on the current position and the emergency actions put in place. A discussion followed where more details were requested on membership of the control board, breaking down the particular pressures in Adults and Childrens social care, how the control boards would impact services devolved to town and parish councils, the progress of the capitalisation programme with central government, funding from Connecting Devon and Somerset, additional council tax on second homes, and outstanding uncollected council tax debts.

2023/24 General Fund Capital Budget Monitoring Report - Month 6 - End of September 2023

The committee received the report and presentation. During the discussion, the impact on the construction industry and highways was considered, as well as the difficulty predicting capital spend and if there could be quarterly breakdowns of this spending, the deliverability of the Octagon Project and the options available to the Octagon board with the DCMS funding, the ongoing engagement with the government, which capital projects were going to be stopped or delayed, and the rules around changes to capital projects.

2023/24 Housing Revenue Account (HRA) Revenue and Capital Budget Monitoring as at Quarter 2 (30 September 2023)

The committee received a report and presentation. During the discussion, committee members identified the increase in cost pressures for void properties and responsive repairs, and discussed the details of the leaving well scheme, the impact of the pay award being larger than budget, the capital spend projections for future years, £5m awarded for the North Taunton Woolaway Project, a request

for fire safety works, reserves remaining high and how general reserves would be used to manage the current overspend, and the local rent policy of a rent cap at 7%.

2024/25 General Fund Revenue Budget and Capital Programme update

The committee received the report and presentation that detailed the approach to DLUHC and the legal requirements of engaging with the business sector. It was estimated that £36 million of earmarked reserves could be freed up, and an update would be provided at a later date, as well as news on the finance settlement from Government. Ongoing work around the budget gap for 24/25 had seen it reduce from £100m to £87m. The committee requested clarity over the previous reserves and which reserves were being reduced to balance the budget, and the risk analysis of this process was detailed. The development of budget options was ranked based on priority and deliverability, and there is a contingency of approximately 2% of budget. Savings and staffing cost profiles would continue into next year, incorporating existing staffing restructures. There remained a complex picture, and residents of Somerset would be consulted and increased engagement as the situation develops.

Framework for Asset and/or Service Devolution

The committee received a report on the framework for devolution. During the discussion, comments were raised around priority levels and effective communication with Town and Parish Councils, and there was a request for more information on rationale, priority, and timescales for each asset. Regular engagement with town and parish councils is a key part of the process, but concerns were raised that there wouldn't be enough provision for towns and parishes who couldn't take services on, and the importance of equity of provision was highlighted as an area that needed to be monitored. Particular issues around highways and flooding were raised, with a detailed response to come following the meeting. Members also highlighted the risks around devolution with Parish and Town councils potentially being unprepared and unsupported, and whether assets could be returned if they were no longer viable. There is ongoing work with SALC to support the sector in taking on assets and services and advice given to parishes on setting their precept. Better communication was requested, and members were assured they would still be consulted on with regard to asset and devolution deals.

2.8. Meeting 4 January 2024

Financial Budget Update Month 7

The committee received a report which highlighted the still outstanding overspend for Children and Adult Services and the areas where the spend was reducing, leading to a reduction in the overall budget gap. It detailed the actions taken so far to address the budget position. During the discussion, the members

made comments on better communication with the public on the overspend and the measures being taken, as well as a request to better investigate and track income streams, comments on the effectiveness of panels in scrutinising costs within Adults and Childrens placements, the ownership of any homes service users were placed in, inflation affecting care home placement costs and the large impact that was having on the overspend, a request for more reporting on Housing and Homelessness, and a concern about a lack of explanation around removal of Reserves lines.

The committee requested further training on budget areas and clarification in relation to fees and charges, and noted the recommendations going forward to the Executive Committee.

Somerset Council Reserves Amalgamation

The committee received a breakdown of the Reserves, with detail on reserves transferred from districts and County on vesting day, what the earmarked funds were and the breakdowns of those funds. The committee was assured there would be more clarity on these funds in the future, and requested an in depth analysis on reserves, particularly those ring-fenced for certain projects, and more information provided on deleted lines of reserves and the services to be transferred to Town and Parish councils and the resulting impacts on any precepts set by those councils.

Business System for Finance Implementation Review

The committee received an update on the implementation of MS Dynamics and plans for future development. Thus far the implementation has been delivered on time and under budget. The members requested future updates to include tracking liabilities such as S106 monies or CIL payments, and integration and innovation benefits including Power BI, Copilot, and automation. It was noted that the second phase (HR and Payroll) was on hold due to the financial emergency.

Property Maintenance and Compliance Report

The committee received a presentation on Building Maintenance and Compliance, and how they were currently managed by the legacy Facilities Management/Property Teams responsible for the respective areas, who are working together to align processes and transfer systems to ensure consistent compliance and reporting. Members requested reporting on EV, DDA accessibility, and energy efficiency/performance of building owned by Somerset Council. The committee noted that certain teams worked with other partners and contractors, and that there would be changes to structures and resources and some of these would be managed in-house once a maintenance programme had been carried out to collate the necessary data. This process would be gradual and there are vacancies within teams. The committee looked forward to an update on these plans.

Surplus Assets Review

The committee received a report on the progress of surplus assets, confirming the approval of the Policy for Disposal of Assets. The proposed disposals were subject to further consultation with councillors and parish/town councils. The estimated values of capital receipts potentially deliverable before 31 March 2025 was noted, with the target for disposals of £15-20m, feeding into the MTFP. There is an Asset Management Group undertaking the review of other land and property assets. The committee noted that there are a number of issues to take into account, including planning/phosphates, use of buildings and land parcels. It also noted the needed resources and vacant posts.

Commercial Asset and Realisation Task and Finish Group Report

The committee received a report on the work of the Task and Finish Group, which included both Councillors and Officers, and scrutinised the asset portfolio, the factors driving disposal value, and the work being undertaken to prepare for sale.

The committee recommended to the Executive Committee that they support the acquisition of specialised external advisors to progress sales, and recommended a comprehensive Disposal Strategy to clarify the specific aims and leeway for deferring certain proposals.

2.9. Informal Members Workshop – MTFP – 31 January 2024

Members of all Scrutiny Committees and Executive Lead Members were invited to attend this informal workshop.

This workshop examined the budget proposals by each directorate in detail, in order to develop key lines of enquiry ahead of the Corporate and Resources Scrutiny on 2nd February 2024. Areas that were highlighted in this workshop were:

- The underlying assumptions of the budget while awaiting for DLUHC approval
- The impact of devolution on parish and town councils and what support they may need
- For Communities, the impact of cessation of CCTV on local community safety and whether asset devolution would impact the capitalisation programme
- For Adult Services, the impact of proposed cuts on service users and additional pressure on the voluntary sector and whether cuts would create additional costs in other areas
- For Children, Families and Education, the impact on service users of the proposed savings and whether they would be deliverable, and the increasing pressures in SEND
- For Climate and Place, the impact of proposed closures of recycling

centres on local communities and the environment, the impact of proposed savings in highway maintenance, and safety concerns around the remove of school crossing guard funding, and whether proposed cuts to a policy post would lead to reduced funding in future

- For Resources and Corporate Services, clarification was sought on the detail of several pressures and what mitigations are in place
- For Strategy, Workforce and Localities, the importance of the current democratic structure (in particular, Scrutiny Committees) for democracy, the cost of LCNs and whether that could be reduced, and whether there should be changes to SRAs
- For Capitalisation Investment Programme, clarification was sought on funding sources for decarbonisation projects

2.10. Meeting 2 February 2024

Following the workshop, this meeting was an opportunity for councillors to scrutinise and give feedback on the budget proposals for 2024/25 in a public meeting. It followed the same format as the workshop.

During the meeting, many of the points raised in the workshop were reiterated and expanded upon. In addition to this, points were raised around:

- The adequacy of general reserves and earmarked reserves in 2024/25 and beyond
- The process for increasing council tax once a Section 114 is issued
- How integral the transformation programme is to the setting of the budget for 2024/25
- For Communities, updates on the progress and timeline of devolution for assets in Yeovil, as well as progression on the work around locking of public parks and public toilets, and savings proposals relating to Bridgwater Carnival
- For Adult Services, detail was requested on ongoing work with microproviders and the community sector, the impact of proposed savings on mental health services, and possible alternatives to learning disabilities employment work currently commissioned with Discovery. Councillors also looked at the My Life, My Future Programme and the various funding sources for Adult Social Care
- For Children's, Families, and Education, concerns were raised around capacity on the team with ongoing high demand for SEND support and EHCPs, the combined impact of cuts within the service, the need for alternative funding, and whether the recent "Good" OFSTED rating would be put at risk. Detail was also requested on the proposals relating to children looked after and the level of confidence in recruiting more foster carers to support that work.
- For Climate and Place, the issue of recycling centres was a key issue, as

well as highway maintenance and school crossing guards, and more detail was requested on the cost pressures and the impact of proposals around increasing planning fees and the risk of digital exclusion for proposal around garden waste communications. Concerns were also raised around the poor quality of bus services and the impact this would have on funding.

- No comments were raised around Corporate and Resources proposals
- For Strategy, Workforce, and Localities, proposed reductions in scrutiny committees and the combining of Audit with Constitution and Governance were a concern, as well as why there were no savings proposals relating to support costs for Local Community Networks. Concerns were also raised around the removal of funding for the Pathway to Employment scheme
- For the HRA proposals, members requested more detail on the pressures in the HRA budget
- For the Capital Budget, members questioned funding specific to Section 106, Community Infrastructure Levies, as well as funding for Rights of Way, and requested further monitoring of these

Following the debate, a number of recommendations were resolved to go to Executive. Full detail on this can be found in the Scrutiny report to the Executive meeting on 7 February:

- For the overall budget, 3 recommendations were made
- For Communities services, 4 recommendations were made
- For Adults Services, 1 recommendation was made regarding 6 budget proposals
- For Children's Services, 3 recommendations were made
- For Climate and Place, 5 recommendations were made
- For Strategy, Workforce, and Localities, 6 recommendations were made

3. Consultations undertaken

- 3.1.** The Committees invite and welcome all councillors, the press and public to attend and contribute to its meetings.

4. Implications

- 4.1.** The Committees consider carefully and often ask for further information about the implications as outlined in the reports considered at its meetings.

For further details of the reports considered by the Committees, please contact the author of this report.

5. Background papers

- 5.1.** Further information about the five Scrutiny Committees including dates of meetings and agendas and reports from previous meetings, are available via the Council's website.

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

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Somerset Council

Full Council
20 February 2024



Annual report of the Pensions Committee - Year to 31 March 2023

Lead Member: Councillor Simon Coles, Chair of the Pensions Committee

Division and Local Member: Not Applicable

Lead Officer: Jason Vaughan – Executive Director Resources and Corporate Services
(Section 151 Officer)

Author: Anton Sweet – Funds and Investments Manager

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

1. Summary

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

2. Background

- 2.1 The Somerset Council Pension Fund has a pool of invested assets that will be utilised to meet the pension liabilities of Somerset Council and 267 other employers, Avon and Somerset Police and local colleges and academies. The scheme covers all employees excluding police officers and teachers, who have separate pension arrangements. For a number of these employers (including Somerset Council) they must offer their employees the scheme under statute with a range of guaranteed benefits to employees. The benefits package and employee contribution rates are set by central government. The current scheme implemented from April 2014 is based on career average salary and normal pension age is synchronised with state retirement age. The Fund has 71,000 members made up of 21,000 currently contributing, 20,000 pensioners 28,000 deferred members and 2,000 undecided leavers.

- 2.2 The scheme is administered by Somerset County Council on behalf of all of the participating employers, and the Council has delegated this function to the Pensions Committee. The Committee for the financial year ended 31 March 2023 (the year before the inception of the unitary council) was as follows:

Cllr Simon Coles (Chairman), representing Somerset County Council;
Cllr John Cook-Woodman, representing Somerset County Council;
Cllr Habib Farbahi, representing Somerset County Council;
Cllr Peter Sieb, representing Somerset County Council;
Cllr Ross Henley, a Somerset West and Taunton Councillor representing the four district councils;
Paul Butler, Chief Financial Officer for the Police and Crime Commissioner for Avon and Somerset representing Avon and Somerset Police;
Sarah Williams, Business Manager at Frome Town Council, representing admitted bodies and the smaller scheduled employers; and
Sarah Payne, nominated by UNISON representing the members (active employees, deferred members and pensioners).

The committee is also attended by:
Caroline Burton, independent advisor; and officers as required.

- 2.3 The Pensions Committee ensures the Fund is managed in accordance with a range of statutory and regulatory requirements together with industry and professional best practice. It has in place a forward-looking business plan, which is reviewed and updated quarterly. The current plan can be found with the rest of the Committee's papers on the Somerset Council website.
- 2.4 To ensure that the Fund is of sufficient size to meet its liabilities it is required by statute to undertake an independent actuarial valuation on a tri-annual basis. Following this exercise the actuary sets the employer contribution rates for the next 3 years. The last valuation was undertaken as at 31st March 2022 and the results indicated that the fund was 95% funded and the actuary setting an average employer contribution rate of 22.0% of pensionable pay for the period from April 2023 to March 2026.

3. Pooling of Investments

- 3.1 Since 2015, we have been working with nine other Administering Authorities to implement the Government's requirement to pool the management and investment of our assets with other Local Government Pension Scheme (LGPS) Funds.
- 3.2 We established the Brunel Pension Partnership in conjunction with the nine other LGPS Funds to meet this Government guidance and the requirements of the LGPS (Management and Investment of Funds)

Regulations 2016. We launched our pooling delivery operator, the Brunel Pension Partnership Ltd (Brunel Ltd) on 18 July 2017 as a new company wholly owned by the ten Administering Authorities, including Somerset Council Pension Fund. The Fund own a 1/10th shareholding in Brunel Ltd.. Brunel Ltd. obtained authorisation from the Financial Conduct Authority (FCA) in March 2018.

- 3.3 Since March 2018 we have been working with Brunel and the other Funds to transition our investment assets from the historical arrangements we had to substantially all of the Fund being invested via Brunel. Currently 94% of the investment assets of the Somerset fund are invested via Brunel
- 3.4 Further details regarding Brunel are included within the Fund's Annual Report and Financial Statements.
- 3.5 All costs and benefits of the pooling will be met by the Pension Fund and therefore there is no direct impact on Somerset Council's budget. In time the expected benefits of pooling in terms of lower costs of investment and potentially better investment returns should lead to the Council and other employers having to make lower contributions to the Fund than would otherwise be the case.

4. 2022-2023 Performance

- 4.1 Investment performance for the 2022-23 financial year was negative with the impacts of the Russian invasion of Ukraine and high inflation impacting asset, the return was -1.8%. This represented a return above the Fund's own benchmark for the year. A surplus of £3.6m was the outcome for the year from net contributions after the payment of benefits and expenses

5. Consultations undertaken

- 5.1 None

6. Implications

- 6.1 This report is for information only.

7. Background papers

- 7.1 Somerset County Council Pension Fund Annual Report and Financial Statements 2022/23 (attached).

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

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Somerset County Council Pension Fund Annual Report & Accounts 2022/23



County Hall, Taunton, Somerset TA1 4DY

www.somerset.gov.uk

Contents

	Page
Chairman's report	2
Summary of the scheme	
- Statistical overview	3
- Pensions committee	8
- Pension board	14
- Pension fund administration	17
- Asset Pooling	31
- Fund managers	40
- Other experts	47
- Contributions and benefits	49
Principles and policies	
- Funding strategy statement	52
- Investment strategy statement	94
- Governance compliance statement	117
- Pensions committee scheme of delegation	143
- Pensions committee training policy	147
- Pension board training policy	150
- Communication policy statement	157
- Pension administration strategy	160
Director of Finance's report	
- Investment activity	175
- Investment market background	177
- Investment performance	178
- Investment cost transparency	183
Financial statements	
- Our responsibilities	187
- Fund account	188
- Net assets statement	190
- Notes to the accounts	191
Actuary's statement	233
Independent auditors' reports	237
Glossary of terms	244
Contacts / Web links	249

Chair's report

This annual report sets out the activities of the pension fund for the year ending 31 March 2023. It is produced to provide information for the following four groups.

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

The Government has continued to work on putting in place new regulations to cover the issues noted last year relating to the McCloud court case.

The Government continues to promise consultations on a range of issues including refreshing the guidance on pooling, climate disclosures for the annual report and how the LGPS will contribute to levelling up.

Our transition to pooling was largely completed in spring 2021 with Brunel managing over 90% of our investment assets since then. The remaining un-pooled assets are mostly pre-pooling private equity investments, and these will take some years to mature and return capital to us.

Investment returns for the year, at -1.8%, were disappointing. Returns were very poor for the first quarter of the year as the market continued to digest the impact of the Russian invasion of Ukraine and the associated higher inflation. Returns then improved with each quarter with the quarter ending March 2023 producing good positive returns.

Overall, the Fund outperformed its own customised benchmark by 2.9%, with fund managers overall outperforming their own benchmarks and the fund gaining by underweighting UK Government bonds relative to our strategic long term target.

During the year, contributions paid into the scheme were greater than the pensions paid out. The net result is that before expenses and investment returns the fund grew by £15.4m. We expect this figure to continue to be positive for the current financial year.

During the year we received the results of the 2022 actuarial valuation. The last formal valuation was 2019, indicating that the funding level was 86%. The 2022 valuation indicates an improvement in the funding level to 95%. The new valuation set the employer contribution rates for April 2023 to March 2026 and details can be found later in this report.

I would like to thank my fellow committee and board members for their commitment and support over the last year. I would particularly like to mention Sarah Payne, Sarah stepped down from Committee at the end of March as the UNISON appointed members representative and has served since 2004, her experience will be much missed. Finally, I would like to thank the officers for their efforts throughout the year in providing an excellent fund for the employers and their employees.

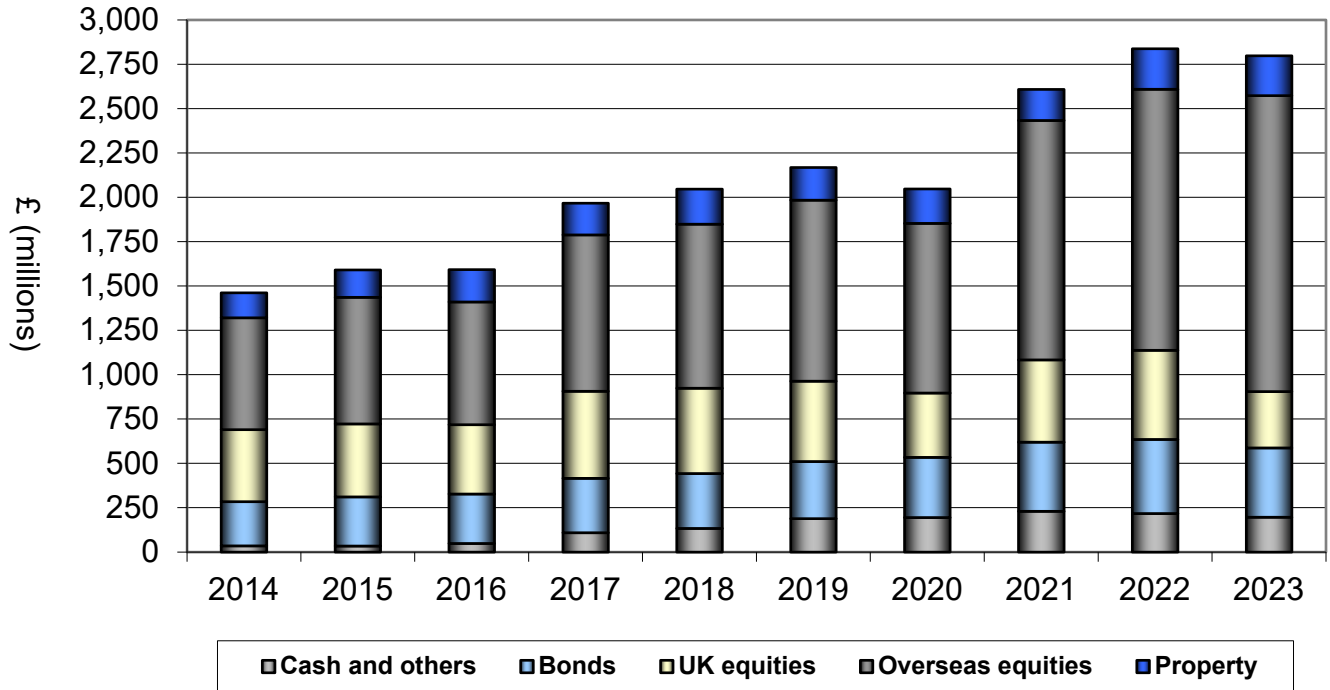
Simon Coles

Chair of the pensions committee

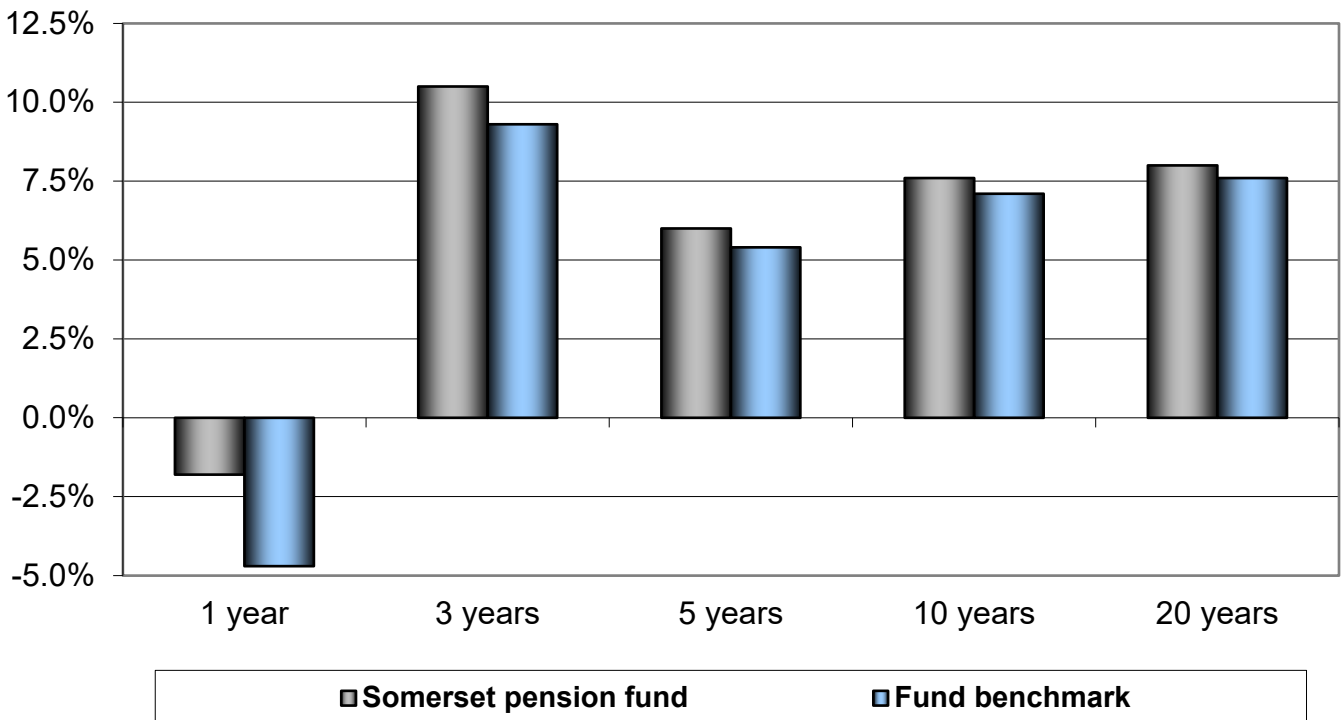
Summary of the scheme

Statistical overview

Fund investment assets



Annualised fund investment performance



Source: Somerset CC

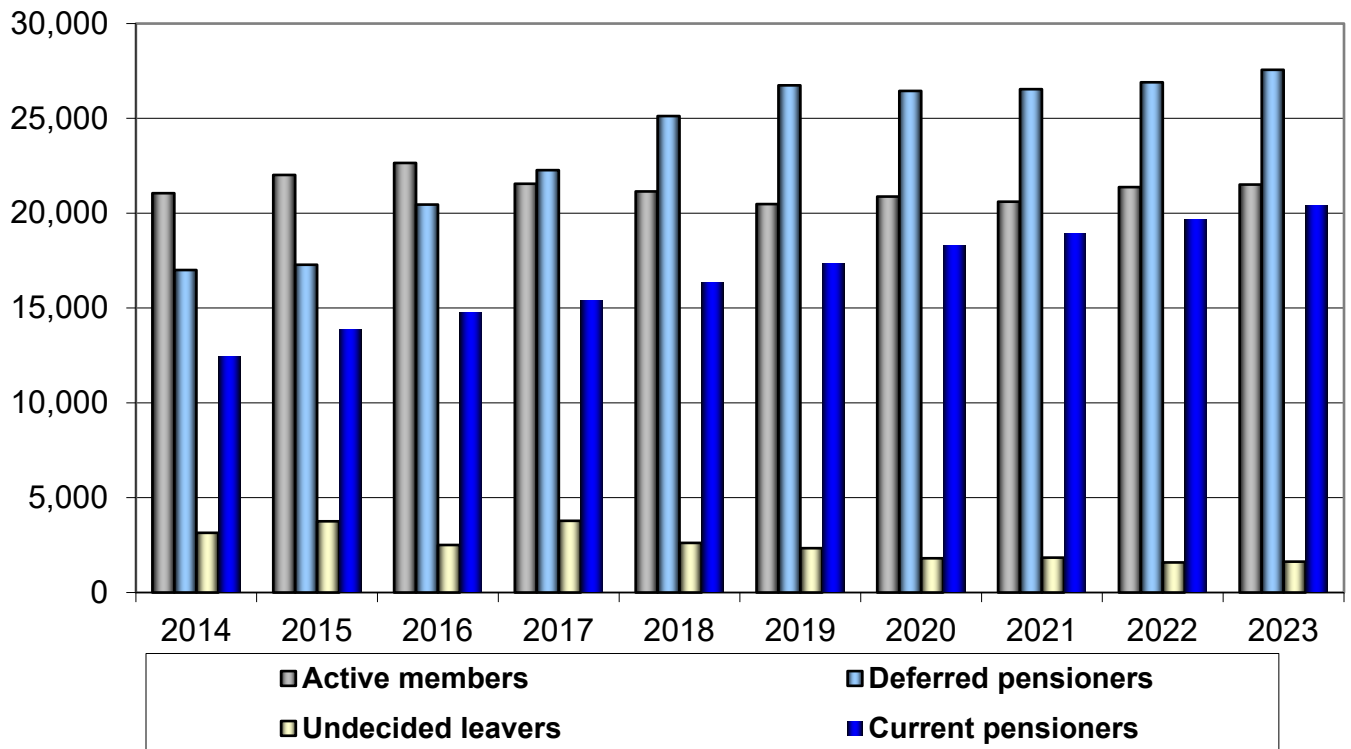
Analysis of investment assets

	UK £m	Non-UK £m	Global £m	Total £m
Equities	317.222	102.535	1,566.065	1,985.822
Fixed Interest	100.035	0.000	290.714	390.749
Property (direct holdings)	0.000	0.000	0.000	0.000
Alternatives	226.966	0.000	98.530	325.496
Cash	95.765	0.000	0.000	95.765
Other				0.000
Total	739.988	102.535	1,955.309	2,797.832

Analysis of investment income

	UK £m	Non-UK £m	Global £m	Total £m
Equities	0.000	0.000	0.324	0.324
Fixed Interest	0.000	0.000	0.000	0.000
Property (direct holdings)	0.000	0.000	0.000	0.000
Alternatives	7.923	0.000	0.000	7.923
Cash	2.667	0.000	0.000	2.667
Other	0.000	0.000	0.000	0.000
Total	10.590	0.000	0.324	10.914

Fund membership statistics



Employer statistics

	Active	Ceased	Total
Scheduled body	142	20	162
Resolution body	31	2	33
Admitted body	36	37	73
Total	209	59	268

Financial Statistics – five-year trends

	2018/2019 £ millions	2019/2020 £ millions	2020/2021 £ millions	2021/2022 £ millions	2022/2023 £ millions
Income from contributions	114.351	122.636	122.968	132.181	134.367
Spending on benefits	-102.191	-111.516	-114.496	-111.780	-118.938
Contributions less benefits	12.160	11.120	8.472	20.401	15.429
Management Expenses	-7.956	-8.175	-9.134	-10.457	-11.864
Investment income	45.712	33.203	19.031	15.601	10.914
Change in value of investments	70.521	-159.714	544.893	200.479	-54.176
Net return on investments	116.233	-126.511	563.924	216.080	-43.262
Change in net assets	120.437	-123.566	563.262	226.024	-39.697

Value for money statistics

	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Administration expenses (£m)	1.170	1.285	1.270	1.363	1.443
Investment management expenses (£m)	6.178	6.228	7.183	8.511	9.768
Oversight and governance expenses (£m)	0.608	0.662	0.681	0.583	0.653
Total expenses	7.956	8.175	9.134	10.457	11.864
Administration expenses per member	17.71	19.13	18.77	19.83	20.52
Total expenses per member	120.46	121.73	134.99	152.14	168.69
Investment expenses (p) per £ of assets	0.29	0.30	0.31	0.31	0.35
Total expenses (p) per £ of assets	0.38	0.39	0.39	0.38	0.42

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

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

Other Statistics

	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Income yield on average assets	2.23%	1.60%	0.82%	0.57%	0.39%
Average pension in payment (£)	4,518	4,586	4,531	4,515	4,535

Pensions committee

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

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

The following committee was in place during the 2022-23 financial year.

Simon Coles (Chair)

Simon is one of the four county council representatives on the committee and is the councillor for Taunton East. Simon joined the committee in May 2017. Simon became the Chair of the Committee in May 2022.

John Cook-Woodman

John is one of the four county council representatives on the committee and is the councillor for Highbridge and Burnham South. John joined the committee in May 2022.

Habib Farbahi

Habib is one of the four county council representatives on the committee and is the councillor for Comeytrove and Trull. Habib joined the committee in May 2022.

Peter Seib

Peter is one of the four county council representatives on the committee and is the councillor for Brympton. Peter joined the committee in May 2022.

Ross Henley (district councils' representative)

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

Paul Butler (police representative)

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

Sarah Williams (represents other employers)

Sarah represents all of the employers except those specifically covered by another committee member. Sarah is the Business Manager for Frome Town Council.

Sarah has been a member of the pensions committee since May 2022.

Sarah Payne (employees' and members' representative)

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

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

Independent advisor – Caroline Burton

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

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

Officer – Jason Vaughan

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

The work the committee has done this year

During the financial year 2022-2023, the committee formally met four times. At each of these meetings (quarterly) the committee received a report on the investment performance of the fund for the previous quarter and any related information, an update on the committee business plan and workplan, an update on the fund's risk register and an update on the budget and membership statistics of the fund. They also receive an update on the status of all outstanding matters relating to the performance of the administration provided by Peninsula Pensions. Every September, the committee receive a report on the investment returns for the previous financial year and approves the annual report.

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

Following on from a decision by the secretary of state the 4 district councils and the county council in Somerset will be amalgamated to form a single unitary council from 1st April 2023. The Committee received an update on the implications of this change for the pension fund at each meeting.

Committee training

As part of the fund's training policy, the committee members are committed to developing their skills and knowledge in relation to the pension fund. We have encouraged our members to attend appropriate outside training events and conferences. With this being the first year following Council elections committee contained a significant number of new members so the emphasis for the year was induction training and assessing the levels of knowledge to inform future training.

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

	Committee meetings	Induction training	Brunel Engagement Event	Conference days
Number of meetings	4		1	
Committee members				
Simon Coles (Chair)	4	NA	0	2
John Cook-Woodman	4	1	0	0
Habib Farbahi	4	1	0	0
Peter Sieb	3	1	0	0
Ross Henley	0	NA	0	0
Paul Butler	3	NA	0	0
Sarah Woodman	2	1	0	0
Sarah Payne	4	NA	1	0
Independent advisor				
Caroline Burton	3			

Risk management

The committee takes the management of risks within the fund seriously. To this end the fund has developed a risk register which is considered and updated as necessary at each of the quarterly Pensions Committee meetings. A copy of the current risk register, which shows the fund's key risks and the actions to mitigate those risks, can be found with all of the other committee papers on the Somerset Council website, there is a link on the last page of this annual report. As at 31 March 2023 the key risks on the risk register were:

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

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

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

Financial management

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

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

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

Exercise of shareholder rights at company meetings

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

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

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

Pension board

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

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

The following board was in place during the 2022-23 financial year.

Employer representatives

Anne Hills (Chair)

Anne is an employer representative on the Board and is a Councillor on Frome Town Council. Anne joined the Board in December 2021.

Rachel Ellins

Rachel is an employer representative on the Board and is the Strategic Manager HR Admin. And Payroll Services for Somerset County Councillor. Rachel joined the Board in December 2021.

Liz Leyshon

Liz is an employer representative on the Board and is a Somerset County Councillor. Liz joined the Board in September 2022.

Andy Sully

Andy is an employer representative on the Board and is a Somerset County Councillor. Andy joined the Board in May 2022 and stood down in September 2022.

Member representatives

Nigel Behan

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

Roderick Bryant

Roderick is a deferred member of the fund. Roderick joined the Board in February 2022.

Anthony White

Antony is a deferred member of the fund. Antony joined the Board in February 2022.

The work the board has done this year

During the financial year 2021-2022 the board met three times. The Board mostly concentrated on scrutinising the regular work and reports of the Committee.

Board training

As part of the fund's training policy, the board members are committed to developing their skills and knowledge in relation to the pension fund. We have encouraged our members to attend appropriate outside training events and conferences.

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

	Board meetings	Induction training	Brunel Engagement Event	Conference days
Number of meetings	4		1	
Committee members				
Anne Hills (Chair)	4	NA	1	2
Nigel Behan	4	NA	0	0
Roderick Bryant	4	NA	1	4
Rachel Ellins	3	NA	0	0
Mark Healey	0 of 1	NA	0	0
Liz Leyshon	0 of 2	1	0	0
Andy Sully	1 of 1	1	0	0
Antony White	3	NA	0	0

Page 721

Pension fund administration

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

Investment administration and accounting

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

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

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

Accounting for contributions and benefits

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

During 2021/2022 financial year (prior year comparative in brackets) there were 202 (146) instances of late payment of contributions by employers, making up 9.25% (6.81%) of payments due. The corresponding figures for more than 10 days beyond due date were 81 (23) instances and 3.71% (1.07%) of payments due.

Instances of failure to pay by the due date were spread over 58 (43) employers.

Based on average monthly contributions from employers it is estimated that by value 93.03% (94.74%) of contributions were received on or before due date and 98.71% (99.56%) within 10 days of due date.

Under the Regulations the Administering Authority is entitled, but not required, to charge interest on late payments at 1 per-cent above base rate. During the 2022/23 financial year no interest was levied on any employer for late payment. The use of this sanction is constantly reviewed.

Membership administration

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

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

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

Key functions provided by the service include:

- guidance and information as to how pension legislation affects employers and their employees;
- guidance and information to individual members in respect of pension issues that will fundamentally affect their living standards, involve complex regulations and will often be in emotional circumstances e.g. death of a partner;
- calculation of individual pension benefits;
- payment of pensions; and
- adherence to HRMC and other regulatory bodies requirements including completion of all statutory returns

Value for money

Peninsula Pensions is committed to delivering a high quality, effective and efficient pensions administration service. We aim to ensure that all of our customers' needs and requirements are met, while delivering value for money for all of our members and employers.

Our vision

Our vision is to be a provider of efficient and cost-effective pensions administration, utilising technology to deliver service improvement, developing training modules to ensure that staff are trained and developed, similarly providing effective training and communication for members and employers alike.

We also aim to ensure that information is readily available to members and employers by developing the existing self-service and website functionality.

Our objectives

We aim to achieve our mission through experienced, well trained pensions administrators driven to deliver a reliable and professional service, whilst demonstrating excellent customer care.

We will develop training modules to enable continuous improvement and development of staff across the service at all levels.

We will make best use of technology to enable an efficient and cost-effective service, providing direct access online to as much information as possible through our Member and Employer self-service facilities via our online portal/website.

We will use technology to improve member and employer communications and learning, and will develop training modules to enable more flexible communication to a wider audience.

We also strive for Continuous improvement in service delivery and high levels of employer and member satisfaction.

Summary of activity

The team maintained a high level of performance throughout 2022/23 and has continued with the ways of working introduced as a result of the COVID19 pandemic, with new hybrid working arrangements put into place in October 2022.

The team is headed up by Rachel Lamb, Head of Peninsula Pensions, and is split across three specialist functions, as set out on the following pages:

Member services

This function is headed up by Natalie Taylor, Member Services – Strategic Lead, and covers all areas of member services for LGPS, Police and Fire schemes.

The member services teams provide a full pension administration service for scheme members, including:

- processing LGPS retirement calculations and estimates, including retirements of the grounds of ill-health, redundancy, efficiency, early and age retirements;
- processing LGPS benefit calculations in respect of deaths-in-service, deaths of pensioners and the deaths of deferred members;
- setting up new fund members;
- processing leaver notifications;
- calculation of cash equivalent transfer values (CETVs) for divorce proceedings, pension sharing and earmarking orders;
- processing the transfer-in of pension rights accrued with a previous employer or pension provider;
- processing the transfer-out of pension benefits to an external employer or pension provider;
- processing refunds of member contributions;
- administration of Additional Pension or Additional Voluntary Contributions; and
- processing notifications such as changes of address, hours and marital status.

Employer liaison and communication

This team is headed up by Shirley Cuthbert, Employer and Communications – Strategic Lead, and is responsible for all client management aspects of the fund's employers.

Some of the key areas covered by the team are:

- client management;
- employer engagement, training and support;
- monitoring and review of employer performance data;
- administering the process for admitted bodies and new employers;
- improving and developing communications with employers and members;
- increasing the use of self-service portals and the website;
- Responsibility for incoming and outgoing post and subsequent distribution (First Response Team);
- Responding to all enquiries from LGPS fund members via a variety of communication methods; and
- Responsibility for producing and monitoring the Pension Admin Budget.

Technical and compliance

This function is headed up by Alexander Thompson, Technical and Compliance – Strategic Lead, and is responsible for ensuring that Peninsula Pensions operates in full compliance with legislation and regulations, and that our internal processes are efficient, effective and secure.

Some of the key areas covered by the team are:

- pensioner payroll – responsibility for the complete monthly and annual payroll cycles across schemes, ensuring all pensioners are paid accurately, at the right time with the correct tax codes applied. Additional responsibilities cover annual P60s and pension increases; HMRC statutory reporting; and Real Time information (RTI) shared with HMRC;
- systems development – responsibility for managing the pension database and Member Self-Service area for Peninsula Pensions. This includes implementation and testing of new system developments; generating reports as required by employers, pension fund accounts, and actuaries; loading various electronic data interfaces from all employers; and production of bulk documentation for members ie annual benefit statements; and
- technical and training, which includes:
 - procedure notes and training;
 - training and accreditation programme for staff;
 - quality assurance scheme for accredited staff;
 - technical queries; and
 - administering the Annual Allowance exercise and other projects including McCloud Remedy.

Some of the key activities undertaken by the team during 2022/23 are set out below:

Data improvement/management plan

We are currently reviewing our plan to ensure actions are in place relating to ongoing data quality improvements and data readiness for the Pension Dashboard. As part of the plan to date, the following activities have been undertaken:

Employer Historic membership data review*

Peninsula Pensions have continued to work with scheme employers to complete a historic membership data review and sign off for all scheme membership data. Data was provided to scheme employers for review and sign off before employers moved to monthly data submissions. The benefits of this exercise will be seen via a reduction in the number of queries in respect of historic data with scheme employers, which will lead to efficiencies in the processing of scheme member benefit calculations. The completion of this exercise will also help to facilitate an easier implementation of the McCloud remedy and Pensions Dashboard (see below).

Member Tracing

Peninsula Pensions have engaged with an external company to assist with tracing members, particularly deferred members, that have changed address and unfortunately not informed the team.

The Pension Regulator annual data score return

The Pensions Regulator data score shows the percentage of members in the scheme that we hold full data for as outlined below. Separate scores are provided for common data and scheme-specific data.

For the year 22/23 Peninsula Pensions achieved the following for the Somerset LGPS:

- Common data score: 95.5 %
- Scheme-specific data score: 96.6%

Common data includes sex, date of birth, pensionable service dates and expected retirement. Scheme specific data includes the scheme type, structure and design, member status and events that have taken place during membership.

Note: These scores confirm a presence of data on specific data views only, the accuracy of which is verified under other methods, for example as above*/ data checker tools (part of triennial valuations/internal quality assurance).

Member Self-Service (MSS)

Peninsula Pensions has continued to promote the benefits of Member Self-Service (MSS) over the year, following the positive results experienced during the pandemic.

MSS allows members to view all of their pension information online, calculate estimates of their benefits, update personal information and to send and receive documentation to and from Peninsula Pensions. It has proved to be a much more effective, secure, and efficient method of communication than traditional postal services.

Peninsula Pensions have volunteered to become 'early adopters' with the new MSS updated 'Transformational Member Experience' online portal in 23/24.

As at 31st March 2023 over 82% of scheme members have access to MSS, with less than 18% electing to opt out of the service.

If you have not yet registered for MSS and are interested in finding out the benefits of doing so, please visit Peninsula Pensions' for more information and details on how to register.

Online refunds (Member Self Service)

A further development within the MSS facility is to allow members to generate their own refund of pension contributions online. This allow the member to sign relevant forms online and claim their refund accordingly, prior to Peninsula Pensions authorising the final payment. This is a more efficient processing of members benefits and saves time for both the member and the team within a secure environment.

Employer monthly interface tool

Peninsula Pensions successfully introduced a new employer monthly interface tool in February 2023, providing for further checks on data accuracy, efficiency, and automation of data between employers and Peninsula Pensions. This saves time for the team with the automation, and by receiving data on a monthly basis, increases the accuracy and timeliness of information received from employers as part of the Data management/improvement plan.

Immediate Payments - ALTAIR pensioner payroll module

This development was introduced in January 2023 and provides for a clear separation of duties between the team calculating members pension benefits, and the team making the subsequent payments. The development has negated the need for a third-party payment system, hence reducing risks with both input and financial coding, and increasing accuracy and timeliness of payments for members.

McCloud and Sargeant Judgements

In 2018 the Court of Appeal ruled that protections introduced for older members of the Judges' and Firefighters' Pension schemes, as part of public sector pension reforms in 2014 and 2015, unlawfully discriminated against younger members. The remedy to address this discrimination will be applied to all public sector pension schemes, including the LGPS. Anyone affected by the discrimination will be offered an appropriate remedy to ensure that they are placed in an equivalent position to protected members.

Peninsula Pensions have a Project Team in place and have been making preparations in advance of the implementation date with regards to ensuring understanding of requirements, data readiness and resource levels needed.

The Government has confirmed that members who qualify for this protection do not need to make a claim for the changes to apply to them. Peninsula Pensions will contact any members that will be affected by the remedy in due course. More information about judgment and the impact of the remedy can be found here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1146603/LGPS_McCloud_factsheet.pdf

Pension Dashboard

The team have been engaging with software providers, and webinars to ensure both readiness of data and ISP (Integrated Service Provider) to comply with the implementation date. The team have been focusing on ensuring that member data along with deferred and amalgamation cases are in a better position in preparation for the introduction of the Pension Dashboard.

Key administration performance data

Administration performance

Peninsula Pensions monitors performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which set out the minimum requirements regarding the disclosure of pension information.

Peninsula Pensions' internal service standard target is currently being reviewed along with the Pension Administration Strategy.

Performance targets are monitored on a monthly basis via a task management system and reporting tool within the pension database.

Total performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 for 2022/23 was 89%, an improvement on the 2021/22 year, despite increased demand, and difficulty with recruitment to team vacancies.

The lower-than-expected performance is in part due to delays in responses to member information requested from employers. The team has continued to work with employers to implement improvements in this area.

The tables below provide a detailed breakdown of administration performance relating to the Somerset Pension Fund only against the internal targets and Disclosure Regulations for the financial year ending 31st March 2023.

The table below provides an overall summary of performance.

	Cases completed	Performance (disclosure regs)
High priority procedures	7,580	94%
Medium priority procedures	10,399	87%
Low priority procedures	3,581	87%
Total	21,560	89%

The table below provides additional detail on high priority procedures.

	Cases completed	Performance (disclosure regs)
Changes	1,324	98%
Complaints (member)	81	100%
Complaints (employer)	2	100%
Deaths	645	78%
Deferred (over 55)	631	86%
Payroll	1,466	97%
Refunds	935	100%
Retirements (active)	904	91%
Retirements (deferred)	1,592	93%
Total	7,580	94%

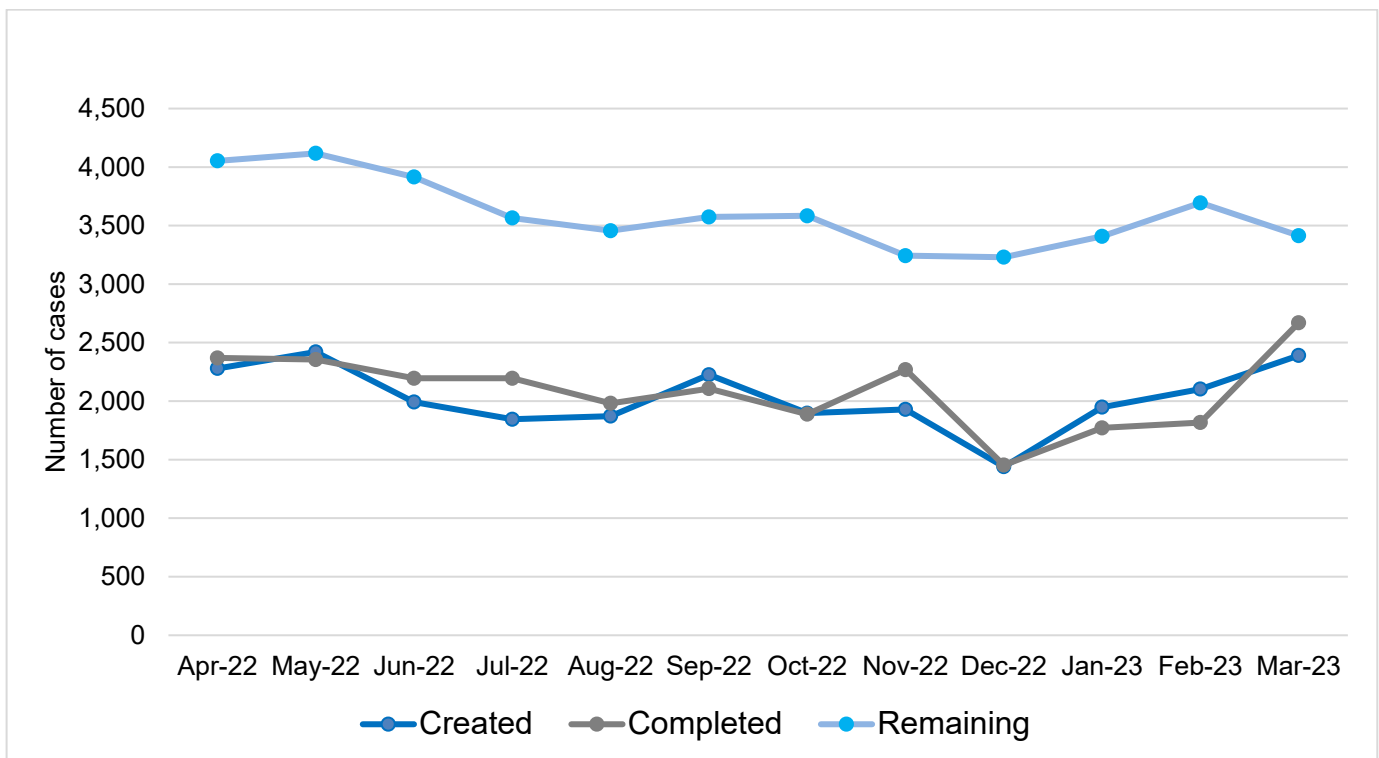
The table below provides additional detail on medium priority procedures.

	Cases completed	Performance (disclosure regs)
Amalgamation of records	1,633	62%
Deferred benefit calculations	2,602	64%
Divorce calculations	186	94%
Employer queries	664	66%
Estimates (bulk)	0	-
Estimates (employer)	42	100%
Estimates (member)	130	95%
General	1,722	99%
HMRC	67	100%
Member self-service	3,353	100%
Total	10,399	87%

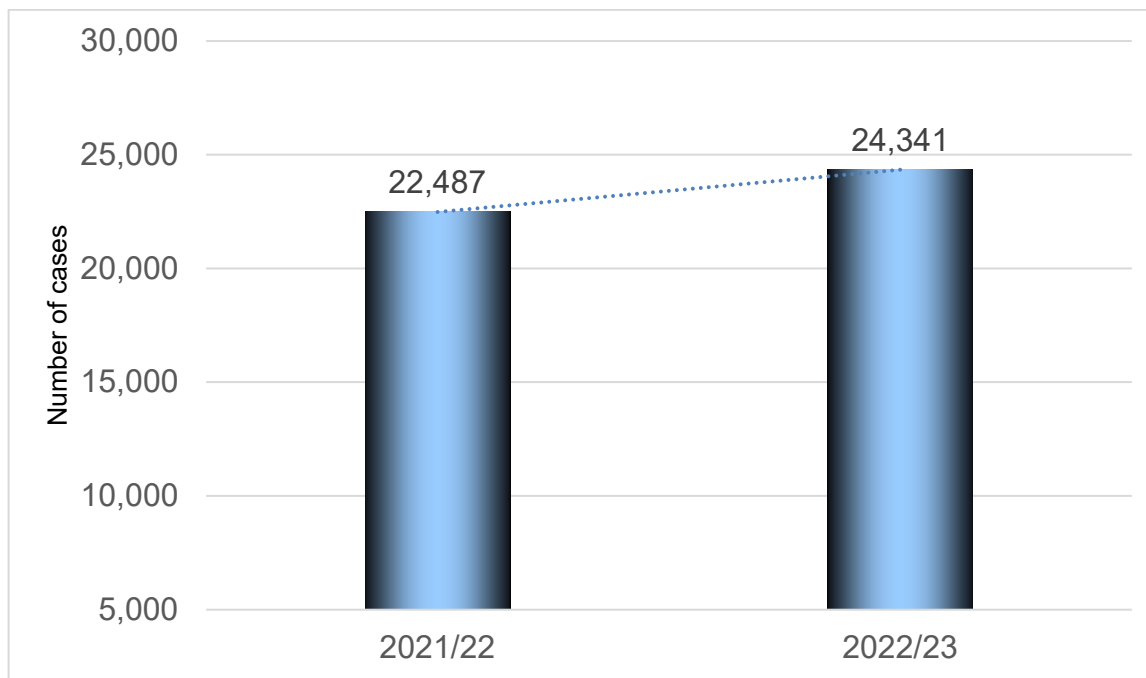
The table below provides additional detail on low priority procedures.

	Cases completed	Performance (disclosure regs)
Estimates (other)	221	76%
GMP queries	9	100%
Interfund transfers in	383	64%
Interfund transfers out	405	75%
Pension top ups	265	99%
Frozen refunds	1,747	93%
New starters	1	100%
Pension transfers in	265	93%
Pension transfers out	285	84%
Total	3,581	87%

The graph below highlights the overall performance of Peninsula Pensions (Somerset Fund only) for the year ending 31st March 2023.



The graph below shows the work received (created) over the 22/23 year compared to the 21/22 year:



Financial Indicators

For the financial year 2022/23, the costs of providing a pension administration service equated to £19.00 per fund member (compared with £18.31 for 2021/22). The slight increase in costs is as a result of the team being close to fully resourced throughout the year.

Our pension payroll costs per pensioner for the same period equated to £5.38 per pensioner (compared with £5.81 for 2021/22).

Staffing indicators

As at 31st March 2022, Peninsula Pensions employed 71.50 full-time equivalent members of staff (including staff providing administration services to non-LGPS clients under external service level agreements). For the LGPS only, this equates to approximately 3,162 fund members for every full-time equivalent member of staff (compared with 3,383 for 2021/22).

Other Information

A further analysis of new pensioners for the Somerset Pension Fund during 2022/23 is set out in the table below:

Pensioner category	Number of new pensioners
Ill-health retirement	39
Early retirement	780
Normal retirement	235
Total	1,054

National Fraud Initiative

Peninsula Pensions also participates in the National Fraud Initiative (NFI) which is a biennial data matching exercise conducted by the Cabinet Office. It contributes to the security and transparency of public sector finances by assisting in the prevention and detection of fraud.

Pension data was submitted through the web portal in 2022 and data match reports included the following:

- Active pensioners with Department for Work and Pensions (DWP) deceased records, to identify cases where we might be continuing to pay someone who has died; and
- pensioners with payroll records for public sector bodies to identify cases where pensions need to be considered for abatement.

During the 2022 exercise, match reports were reviewed, and additional information sought as necessary. The NFI did not identify and evidence any additional 'matched' pensioners who had died, where the pension administrators had not already been informed of their death or notified through monthly mortality reports. There were therefore no overpayments / recoveries / suspected fraud cases identified that need to be reported on.

Compliments, complaints and internal dispute resolution procedure

The LGPS has a 2-stage dispute resolution procedure. For stage 1 appeals relating to a decision or action by the member's employer, the dispute is dealt with by the nominated person for that employer. All other disputes are dealt with by the Head of Peninsula Pensions. If the member is not happy with the decision made at Stage 1 then they can move to Stage 2 where the issue will be looked at afresh by the Director of Finance of Somerset County Council. If the member is not happy with the decision made by the Stage 2 panel they can take their case to the Pensions Ombudsman for a final decision.

The table below shows a summary of the number of compliments, complaints and formal complaints under the provision of the IDRPs (Internal Dispute Resolution Procedure) received during 2022/23.

	Total
Compliments	74
Formal complaints (IDRP Stage 1) ¹	4
Formal complaints (IDRP Stage 2) ²	1
Other complaints ³	78

¹ Two of the IDRPs Stage 1 complaints were against decisions made by the administering authority. One complaint was upheld. The other two IDRPs Stage 1 complaints were against decisions made by scheme employers.

² Any complaint that cannot be resolved under Stage 1 of the IDRPs may be escalated to Stage 2. The one Stage 2 complaint was against decisions made by a scheme employer in respect of ill health retirement. None of the IDRPs Stage 2 complaints were against decisions made by the administering authority.

³ All other complaints were successfully resolved in-house and did not escalate to a formal complaint under provision of the IDRPs.

Pension payroll

Pensioner payroll services were provided by Peninsula Pensions.

Audit

All of the teams above are subject to regular internal audit review of processes and internal controls as well as review by external audit as part of their audit of the accounts of the fund.

The internal audit work for Somerset County Council and is provided by the South West Audit Partnership.

The internal audit work for Peninsula Pensions is provided by Devon Audit Partnership.

Two of the reports relating to Audits of Peninsula Pensions during the 2022/2023 financial year resulted in no recommendations – these reports related to ‘Transfers out of pension benefits’, and ‘LGPS refunds 5-year rule’. This gave the team the top level of reassurance around internal processes on both of these areas.

External audit work on all areas of the Fund is undertaken by Grant Thornton.

In addition to the audit work undertaken on the directly controlled operations of the Fund by auditors, the Fund requests from its external fund managers and the global custodian reports undertaken by audit companies on the robustness of their internal control environments.

Audit findings are reported regularly to the Somerset County Council Pensions Committee and Pension Board.

Asset pooling

Background

Since 2015, we have been working with nine other Administering Authorities to implement the Government's requirement to pool the management and investment of our assets with other Local Government Pension Scheme (LGPS) Funds.

The 2015 LGPS Investment Reform Criteria and Guidance set out how the Government expected LGPS funds to establish asset pooling arrangements and the objectives from pooling including: benefits of scale, strong governance and decision making, reduced costs and excellent value for money, and an improved capacity and capability to invest in infrastructure.

We established the Brunel Pension Partnership in conjunction with nine other LGPS Funds to meet this Government guidance and the requirements of the LGPS (Management and Investment of Funds) Regulations 2016. We launched our pooling delivery operator, the Brunel Pension Partnership Ltd (Brunel Ltd) on 18 July 2017 as a new company wholly owned by the ten Administering Authorities, including Somerset County Council Pension Fund. We own a 1/10th shareholding in Brunel Ltd.

Brunel Ltd obtained authorisation from the Financial Conduct Authority (FCA) in March 2018 to act as an investment manager and an investment advisor. Brunel Ltd met the Government's requirement for the Pool to become operational from April 2018 and the transition of assets to start.

Brunel Ltd is responsible for implementing our detailed Strategic Asset Allocation and those of its other nine partner Funds by providing and implementing a suitable range of outcome focused investment "portfolios". In particular, it researches and selects the professional external investment managers responsible for making the day to day investment decisions on the portfolios. In some cases, a portfolio will have a single external manager who provides the fund structure for a portfolio. In other cases, Brunel Ltd will allocate to a number of different externally managed funds. For active equities, Brunel Ltd has sponsored the creation of an authorised contractual scheme (ACS), in conjunction with an external fund operator (Fundrock), as this structure in these markets offers significant cost and tax benefits. Brunel Ltd is the investment manager of the ACS.

Importantly, Somerset County Council, through the Pensions Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by Brunel Ltd. We are also able to, and actively do, suggest new portfolios to Brunel Ltd and engage with Brunel Ltd on the structure and nature of existing portfolios.

Governance and oversight

The Somerset County Council Pension Fund is both a shareholder and a client of Brunel Ltd and as a client, we have the right to expect certain standards and quality of service. A detailed service agreement has been agreed which sets out the duties and responsibilities of Brunel Ltd, and our rights as a client. It includes a duty of care of Brunel Ltd to act in its clients' interests.

The Pension Committee recognises that the governance of the partnership is of the utmost importance to ensure our assets are invested well and our needs and those of our beneficiaries are protected. We have ensured that governance controls exist at several levels within Brunel Ltd as follows:

- As shareholders in Brunel Ltd, we entered into a shareholder agreement with the company and the other shareholders. This gives us considerable control over Brunel Ltd – several matters, including significant changes to the operating model, are special reserved matters requiring the consent of all shareholders, with other reserved matters requiring agreement across a majority of shareholders. Each of the ten participating Pension Funds has a 1/10th shareholding in Brunel Ltd.
- An Oversight Board comprising representatives from each of the Funds has a primary monitoring and oversight function. Meeting at least quarterly, it reviews and challenges papers from Brunel and interrogates its management. However, it cannot take decisions requiring shareholder approval, which are remitted back to each Fund individually. Sarah Payne (pensions committee member) represents the Fund on this Board. Two members representing Pension Fund members from the participating Funds also attend Oversight Board meetings.
- The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Funds, but also drawing on finance and legal officers from time to time. It has a leading role in reviewing the implementation of pooling by Brunel, and provides a forum for discussing technical and practical matters, confirming priorities, and resolving differences. Client Group is also supported by a number of sub-groups, to delve deeper into detail. Anton Sweet represents the Fund and is co-vice chair of the overall client group, he also sits on the strategy and governance, finance and investments sub-groups. We also attend other sub-groups such as the operations or responsible investment sub-groups when required. The Client Group is also responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.
- A separate level of governance is provided by the Board of Directors at Brunel Ltd, which are appointed by ourselves and the other shareholders. It comprises five highly experienced and independent non-executive directors, chaired by Denise LeGal and three executive directors. Further information can be found on Brunel's website: www.brunelpensionpartnership.org/people
- Finally, as an authorised firm, Brunel Ltd has to meet the extensive requirements of the Financial Conduct Authority, which cover areas such as training and competency, policy and process documents, and internal controls.

Brunel Ltd operational delivery

As reported last year the transition of assets to Brunel was largely completed with the movement of our fixed income assets in May and June 2021. After the completion of this transition Brunel Ltd. has managed in excess of 90% of the Somerset Fund's investment assets.

Drawdowns on the £50m of commitment we made to the 2nd Brunel Ltd. private equity cycle and the £60m commitment to the 3rd cycle of private equity continue.

During 2022 Brunel Ltd. Has worked with FTSE Russell to create a set of world equity indices that are aligned with the Paris climate targets to keep global warming below 2% above pre-industrial levels. This provides the opportunity for us to invest passively in equities in a way which is aligned with the Fund's climate targets. The Somerset Fund transitioned our passive equities to be managed against these new indices in May 2022.

The Fund still has certain commitments to long term illiquid investment funds in private equity which will take longer to transition across to the new portfolios to be set up by Brunel Ltd. We will continue to manage these in partnership with Brunel Ltd until such time as they are liquidated, and capital is returned. It is anticipated that the in-house team will continue to manage the Fund's cash outside of Brunel Ltd for the foreseeable future.

During 2022-23 Brunel is undertook a review of its Climate policy, with the new policy being published in February 2023.

Delivery against original business case

One of the key objectives for Brunel Ltd is to deliver the fee savings included in the original business case agreed across the ten partner Funds.

The Pensions Committee approved our participation in the Brunel Pension Partnership in July 2017, based on the detailed original business case and supported by appropriate legal and financial assurance. Overall, undiscounted potential fee savings across the pool were estimated at £550 million over the 20 year period (to 2036), of which the Somerset Fund's savings were projected to be around £27 million. We recognised that the project would incur initial setup costs, with the business case showing that the Somerset County Council Pension Fund would break even on a cumulative basis during 2024. For the overall pool, the breakeven date is 2023.

The expected costs and savings for the Somerset County Council Pension Fund through to 2036, as per the original approved business case submitted to Government, are as follows:

	2016/ 2017 £ m	2017/ 2018 £ m	2018/ 2019 £ m	2019/ 2020 £ m	2020/ 2021 £ m	2021/ 2022 £ m	2022/ 2023 £ m	2023/ 2024 £ m	2024/ 2025 £ m	2025 to 2036 £ m	Total £ m
Set up costs	0.117	1.028									1.145
Ongoing Brunel Costs			0.400	0.517	0.534	0.552	0.569	0.588	0.607	8.115	11.882
Clients Savings			-0.040	-0.042	-0.043	-0.044	-0.045	-0.047	-0.048	-0.635	-0.944
Transition costs			1.257	1.805	0.010						3.072
Fee savings			0.008	-0.750	-1.295	-1.454	-1.630	-1.816	-1.945	-33.253	-42.135
Net costs / (realised savings)	<u>0.117</u>	<u>1.028</u>	<u>1.625</u>	<u>1.530</u>	<u>-0.794</u>	<u>-0.946</u>	<u>-1.106</u>	<u>-1.275</u>	<u>-1.386</u>	<u>-25.773</u>	<u>-26.980</u>

Set up costs

Included in the original business case were set up costs for 2016/17 and 2017/18, recognising that Brunel Ltd would go operationally live from April 2018. No additional set up costs were incurred in 2022/23. The cumulative total of set up costs is shown below:

	Cumulative £ millions
Recruitment	0.018
Legal	0.133
Consulting, Advisory & Procurement	0.082
Other support Costs e.g.IT, accommodation	0.000
Share Purchase / Subscription Costs	0.840
Other Working Capital Provided e.g. loans	0.000
Staff Costs	0.000
TOTAL SET UP COSTS	<u>1.073</u>

Transition costs

The Somerset Fund's transition was effectively completed by the transition of listed fixed income assets in spring 2021. No transition costs were incurred in 2022/23 and we do not expect any further transition costs. Transition costs are summarised in the table below:

	2022/2023			Cummulative to date £ millions
	Direct £ millions	Indirect £ millions	total £ millions	
Transition Fee	0.000	0.000	0.000	0.290
Tax	0.000	0.000	0.000	0.887
Other Transition Costs	0.000	0.000	0.000	4.880
	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>6.057</u>

Investment Fee savings

A summary of fee savings for the 2022/23 financial year are provided below.

Portfolio	Value in original business case (31 March 2016) £ millions	Value 31 March 2023 £ millions	Price variance £ millions	Quantity variance £ millions	Total Savings £ millions
Global passive equity	383.102	586.312	-0.010	-0.016	-0.026
Active UK equity	363.467	317.222	0.133	0.100	0.233
Global high alpha equity	274.912	796.008	0.656	-1.893	-1.237
Smaller companies equity	0.000	183.745	0.334	-1.181	-0.847
Emerging market equity	60.977	102.535	-0.113	-0.123	-0.236
Passive Gilts	42.801	43.760	0.064	-0.008	0.056
Passive Index-linked Gilts	65.277	56.275	0.084	0.006	0.090
Sterling corporate bonds	132.976	195.845	0.087	-0.068	0.019
Multi-asset credit**	37.566	94.869	-0.077	-0.057	-0.134
Property	181.893	225.450	0.581	-0.102	0.479
Private equity*			0.215		0.215
Total			1.954	-3.342	-1.388

*Private equity fees and savings are based on committed capital, not the actual value of investments.

**The 2016 comparator is high yield debt.

Expected verses actual costs and savings to date

A summary of the costs and savings to date compared to the original business case is provided in the following table.

	2021/22				2022/23			
	Budget		Actual		Budget		Actual	
	In year £ millions	Cumulative to date £ millions	In year £ millions	Cumulative to date £ millions	In year £ millions	Cumulative to date £ millions	In year £ millions	Cumulative to date £ millions
Set up costs	0.000	1.145	0.000	1.073	0.000	1.145	0.000	1.073
Ongoing Brunel Costs	0.552	2.003	0.881	3.417	0.569	2.572	1.016	4.433
Clients Savings	-0.044	-0.169	-0.084	-0.084	-0.045	-0.214	-0.150	-0.234
Transition costs	0.000	3.072	0.713	6.058	0.000	3.072	0.000	6.058
Fee savings	-1.454	-3.491	-1.485	-2.117	-1.630	-5.121	-1.954	-4.071
Net costs / (realised savings)	-0.946	2.560	0.025	8.347	-1.106	1.454	-1.088	7.259

Page 745

The most significant variances from the original business case can be summarised as follows:

- Additional resources have been required by Brunel over and above those envisaged by the original business case, in order to deliver the service required by their clients. As a result, the ongoing overhead costs of the Brunel company are higher than originally estimated.
- Internal savings are higher than anticipated.
- In year fee savings are now greater than anticipated but cumulative are still lower than anticipated.

Ongoing monitoring of Brunel Ltd against business case

Now that Brunel Ltd is operational, ensuring that the financial performance of the pool is monitored and that Brunel Ltd is delivering on the key objectives of investment pooling is vital. This includes reporting of the costs associated with the appointment and management of Brunel Ltd (our pool company) including set up costs, investment management expenses and the oversight and monitoring of Brunel Ltd by the client funds. This is reinforced through CIPFA, the accounting standards body, which has published recommended guidance for disclosing these costs. We have reported using this guidance above.

The Pensions Committee takes its role as both Shareholder and Client of Brunel Ltd very seriously, as part of its fiduciary and legal obligations to act in the best interests of members. The performance of Brunel Ltd. is discussed at every Pensions Committee meeting.

Ensuring that Brunel Ltd deliver against the original business case, as a minimum, is of critical importance to the Pensions Committee. We have highlighted above how the Somerset County Council Pension Fund is represented through the governance of Brunel Ltd and how we work with our other partner Funds to achieve this. At all stages and levels there is monitoring and assurance processes around cost control. Regular financial reporting is provided through Client Group and the Oversight Board.

We are pleased that Brunel Ltd has signed up to the Cost Transparency Initiative, and the Pensions Committee are keen to ensure that this is implemented effectively, to improve disclosure and transparency.

The ongoing management of costs and working closely with our partner Funds and Brunel Ltd will continue to be a key focus for the Committee throughout 2023/24.

Further information regarding Brunel Ltd can be found on their website:

<https://www.brunelpensionpartnership.org/>

Fund managers

Under the regulations, we must consider:

- **the need to invest in a wide range of investment areas;**
- **the suitability of investments; and**
- **getting proper advice.**

The fund is divided into sub-funds for investment-management purposes.

In-house

Cash Portfolio

Aim

To outperform Sterling deposit rates

Benchmark

Bank of England Base Rate

Type of Investments

Cash deposits and Money Market Funds

Allocation of the fund

The target allocation is 1% of the whole fund.

Appointed

The in-house team have been running the Sterling cash fund since at least 1990

Neuberger Berman

Aim

To outperform global equity stock markets over the life of each private equity fund.

Benchmark

Cash returns. This is the normal benchmark for private equity investments.

Type of investments

Companies that are not listed on stock exchanges

Allocation of the fund

The target allocation to private equity 5% of the whole fund spread between Neuberger Berman and Brunel. The existing funds with Neuberger Berman will run off over a number of years and be reinvested with Brunel.

Appointed

March 2010

Brunel Pension Partnership

Passive global equity portfolio

Aim

To track the benchmark.

Benchmark

FTSE Developed World CTB Index. This index contains over 2,000 companies from the 25 countries that FTSE have defined as 'developed'. This index has been developed to evolve over time so that the constituents collectively are aligned with the carbon emission targets including in the Paris Agreement.

Type of investments

Equities. A percentage of these investments are overseas.

Underlying fund manager

Brunel has employed LGIM to manage this portfolio on its behalf.

Allocation of the fund

The target allocation is 20% of the whole fund to passive global equity.

Appointed

July 2018

UK equity portfolio

Aim

To outperform the benchmark by an annualised return of 2% over continuous three to five-year periods after fees have been deducted.

Benchmark

FTSE All-Share index excluding investment trusts.

Type of investments

UK equities

Underlying fund manager

Brunel has employed Baillie Gifford and Investec to manage this portfolio on its behalf.

Allocation of the fund

The target allocation is 10% of the whole fund to UK equity.

Appointed

November 2018

Global high alpha equity portfolio

Aim

To outperform the benchmark by an annualised return of 2% to 3% over continuous three to five-year periods after fees have been deducted.

Benchmark

MSCI world index.

Type of investments

Equities. A percentage of these investments are overseas.

Underlying fund managers

Brunel has employed Alliance Bernstein, Baillie Gifford, Fiera Capital, Harris Associates and Royal London to manage this portfolio on its behalf.

Allocation of the fund

The target allocation is 25% of the whole fund.

Appointed

November 2019

Global smaller companies equity portfolio

Aim

To outperform the benchmark by an annualised return of 2% over continuous three to five-year periods after fees have been deducted.

Benchmark

MSCI world small cap index.

Type of investments

Smaller company equities

Underlying fund manager

Brunel has employed American Century, Kempen and Montanaro to manage this portfolio on its behalf.

Allocation of the fund

The target allocation is 5% of the whole fund.

Appointed

September 2020

Emerging market equity portfolio

Aim

To outperform the benchmark by an annualised return of 2% to 3% over continuous three to five-year periods after fees have been deducted.

Benchmark

MSCI Emerging Markets index.

Type of investments

Emerging market equities

Underlying fund manager

Brunel has employed Genesis, Investec and Wellington to manage this portfolio on its behalf.

Allocation of the fund

The target allocation is 5% of the whole fund.

Appointed

October 2019

Passive Gilts

Aim

To track the benchmark.

Benchmark

FTSE Actuaries UK government over 15 year gilt total return index

Type of investments

UK Government Gilts

Underlying fund manager

Blackrock

Allocation of the fund

The target allocation is 4% of the whole fund.

Appointed

May 2021

Passive index linked Gilts

Aim

To track the benchmark.

Benchmark

FTSE Actuaries UK government index-linked over 5 year total return index

Type of investments

UK Government index linked Gilts

Underlying fund manager

Blackrock

Allocation of the fund

The target allocation is 4% of the whole fund.

Appointed

May 2021

Sterling corporate bonds

Aim

To outperform the benchmark by an annualised return of 1% over continuous three to five-year periods after fees have been deducted.

Benchmark

iBoxx Sterling non-gilt total return index

Type of investments

Corporate bonds

Underlying fund manager

Royal London Asset Management

Allocation of the fund

The target allocation is 8% of the whole fund.

Appointed

May 2021

Multi-asset credit

Aim

To outperform the benchmark by an annualised return of 4% to 5% over continuous three to five-year periods after fees have been deducted.

Benchmark

GBP SONIA

Type of investments

Bonds

Underlying fund manager

CQS, Neuberger Berman and Oaktree

Allocation of the fund

The target allocation is 3% of the whole fund.

Appointed

May 2021

Property portfolio

Aim

To outperform the benchmark by an annualised return of 0.5% over continuous five to seven-year periods after fees have been deducted.

Benchmark

MSCI/AREF UK quarterly property fund index.

Type of investments

Property funds (such as unit trusts)

Allocation of the fund

The target allocation is 10% of the whole fund.

Appointed

October 2020

Private Equity

Aim

To outperform the benchmark by an annualised return of 3% over continuous seven to ten-year periods after fees have been deducted.

Benchmark

MSCI all countries world index.

Type of investments

Companies that are not listed on stock exchanges

Allocation of the fund

The target allocation to private equity 5% of the whole fund spread between Neuberger Berman and Brunel. All new investments will be made via Brunel.

Appointed

January 2021

As well as the funds mentioned previously the pension fund has a small interest in the South West Regional Venture Capital Fund, which is managed by Technology Venture Partners LLP. For a table showing the split of the assets by fund manager at the date of the net assets statement, see note 17 of the accounts.

Other experts

We need to work with a number of experts to provide functions that are needed under various regulations.

Custodian – JP Morgan

Custody services manage the records of the fund's cash and security investments and track and settle the investment transactions of the fund's appointed investment managers.

JP Morgan has been the fund's custodian since August 2012.

Custodian – State Street

State Street provide custody for those assets which are managed by Brunel Pension Partnership

State Street has been the custodian for Brunel managed assets since July 2018.

Bank – NatWest

NatWest have been providing all of the standard banking requirements to the fund since these were split from Somerset County Council's bank accounts in March 2010.

Auditors – Grant Thornton

The role of the auditor is to test the accounts and confirm that they give a true and fair view of the fund's financial position.

Grant Thornton became the auditor of the Fund in 2012.

Actuary – Barnett Waddingham

The role of the actuary is to give the fund information about the fund's liabilities and the best way to meet them. Every three years, the actuary carries out a formal valuation of the fund, which shows how the fund's liabilities relate to its assets and recommends suitable rates of employers' contributions to prevent any shortfall in future years.

Barnett Waddingham has been the fund's actuary since April 2006.

Legal advisor – Osborne Clarke

The role of the legal advisor is to provide independent advice on legal matters affecting the fund.

Osborne Clarke was appointed as legal advisor to the fund in October 2006.

Shareholder engagement on socially responsible investment and corporate governance – The Local Authority Pension Fund Forum (LAPFF)

Our fund is committed to working with companies to improve their awareness of environmental and social issues. LAPFF is the UK's leading collaborative shareholder engagement group. Formed in 1990, LAPFF brings together 72 local authority pension funds from across the country with combined assets of over £200 billion. It aims to bring about improvements in the way companies are run, such as improvements in corporate governance, of the companies in which member funds invest. LAPFF is also concerned with promoting corporate social responsibility on environmental issues and issues relating to overseas employment standards. It does this by working with company boards to encourage them to improve standards.

The fund is also a member of the Pensions and Lifetime Savings Association (PLSA)

Contributions and benefits

The Local Government Pension Scheme (LGPS) has been approved under the Local Government Superannuation Act 1972 and has been updated on a number of occasions since. The most recent version of the scheme is a Career Average Revalued Earnings (CARE) scheme which was introduced from 1st April 2014.

As an administering authority, we must maintain a pension fund for all the County Council's relevant employees (other than teachers) and those of all local-government staff in our area.

The fund also includes civilian employees of the Avon and Somerset Police and the employees of further-education colleges and academy schools. Employees of certain other organisations (town councils, for example) have a right to be included. We have agreed to admit a number of other organisations, including several housing associations.

The fund is financed by contributions from employees and employers, together with interest and other income earned from investing funds not needed to meet pension payments in the short term.

Employees' contributions are fixed by government regulation. Employers' contributions are assessed by the fund's actuary every three years, but are reviewed every year to take account of early retirements.

Contributions

Employees – Tiered contribution rates depending on actual pay received, with nine contribution bands ranging from 5.5% to 12.5%.

Contribution rate	Salary range 2021-2022	Salary range 2022-2023	Salary range 2023-2024
5.50%	£0 to £14,600	£0 to £15,000	£0 to £16,500
5.80%	£14,601 to £22,900	£15,001 to £23,600	£16,501 to £25,900
6.50%	£22,901 to £37,200	£23,601 to £38,300	£25,901 to £42,100
6.80%	£37,201 to £47,100	£38,301 to £48,500	£42,101 to £53,300
8.50%	£47,101 to £65,900	£48,501 to £67,900	£53,301 to £74,700
9.90%	£65,901 to £93,400	£67,901 to £96,200	£74,701 to £105,900
10.50%	£93,401 to £110,000	£96,201 to £113,400	£105,901 to £124,800
11.40%	£110,001 to £165,000	£113,401 to £170,100	£124,801 to £187,200
12.50%	More than £165,001	More than £170,101	More than £187,201

Employers – Separate rates apply to the major employing authorities, to make sure the actuarial requirements are met and are expressed as a percentage of employees’ pensionable pay, sometimes with an additional cash value payment.

	2022/2023		2023/2024		2024/2025		2025/2026	
	% of Payroll	Cash payment £m	% of Payroll	Cash payment £m	% of Payroll	Cash payment £m	% of Payroll	Cash payment £m
Common fund rate	24.3%	0.000	22.1%	0.000	22.1%	0.000	22.1%	0.000
Somerset Council	18.1%	10.030	20.1%	5.560	20.1%	6.060	20.1%	6.610
Avon and Somerset Police	16.3%	2.420	18.6%	0.868	18.6%	0.901	18.6%	0.936
Further education colleges	16.3% to 19.9%	Variable	18.9% to 22.1%	Variable	18.9% to 22.1%	Variable	18.9% to 22.1%	Variable
Academies	23.7%	0.000	24.4%	0.000	24.4%	0.000	24.4%	0.000
Town councils	20.3%	Variable	22.3%	0.000	22.3%	0.000	22.3%	0.000
Admitted organisations	12.8% to 28.4%	Variable	0.0% to 25.6%	Variable	0.0% to 25.6%	Variable	0.0% to 25.6%	Variable

A full actuarial valuation of the fund was carried out as at 31 March 2022 and this showed a funding level of 95%. This was higher than the level at the 2019 valuation. Despite an increase in the funding level at the 2022 valuation there were increases in the contribution rates of most of the employers within the fund. Most employers have been asked to make payments towards the funding deficit as prescribed cash amounts rather than as a percentage of payroll. This approach has been taken to ensure the deficit reduction plan is not affected by changes in the size of the employee base as local government undergoes a period of considerable change.

A further valuation of the fund is due using data from 31 March 2025. This will set employers' contribution rates for the following three years and confirm the funding level.

The benefits structure of the fund is set by government legislation and the fund has no discretion over this.

Major benefits

- A pension calculated at 1/80th of final salary for each year of service for pre-April 2008 service;
- A pension calculated at 1/60th of final salary for each year of service for service between April 2008 and March 2014;
- A pension calculated on 1/49th of actual pay for each year of service from April 2014 to provide a pension based on CARE (Career Average) salary;
- The revaluation of earnings as part of the CARE calculation will be based on CPI;
- Normal retirement age for post April 2014 service synchronised with state retirement age, Normal retirement age for pre-April 2014 service is 65;
- Up to 25% of the pension can be exchanged for a tax-free lump sum, 3/80th of pre-April 2008 service will be paid as a lump sum;
- Lump-sum death benefits of three times pay for death in service;
- Lump-sum cover for death after retirement of a guarantee of 10 times' annual pension;
- An ill-health retirement package with three levels of benefits depending on the seriousness of the individual's illness;
- A nominated partner's pension and dependent children's pensions; and
- Pensions that are protected from inflation through the Pensions (Increase) Acts.

Other benefits

- Scheme members can 'top up' their pension benefits by paying additional contributions. This facility has become more popular – both through the in-house scheme 'added benefits' facility and the in-house additional voluntary contributions (AVCs) plan. Prudential are now the fund's AVC provider, although a few members continue with their existing arrangements with Equitable Life.

There is a so called 50/50 option where an employee can choose to pay half the contributions but will accrue half of the benefits.

All local-government pensions are protected against inflation under the public-sector index-linking arrangement. The increase applied from April 2023 was 10.1% and the increase applied from April 2022 was 3.1%.

For more details of the current benefits visit the LGPS members' website: www.LGPSmember.org

Principles and policies

The statements, policies and principles listed below are those that were in place at 31st March 2023.

Funding Strategy Statement

Introduction

This is the Funding Strategy Statement for the Somerset County Council Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes Somerset County Council's strategy, in its capacity as administering authority, for the funding of the Somerset County Council Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition*) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

Key parties

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is Somerset County Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Ministry of Housing, Communities and Local Government (MHCLG).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2019. The results of the 2019 valuation are set out in the table below:

2019 valuation results	
Surplus (Deficit)	(£362m)
Funding level	86%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 17.8% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance. However, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund. The RPI assumption adopted as at 31 March 2019 was 3.6% p.a.

This assumption was reviewed following the Chancellor's announcement on the reform of RPI in November 2020. From 31 December 2020 RPI inflation is assumed to be 0.4% p.a. lower than the 20 year point on the inflation curve. This adjustment accounts for both the shape of the curve in comparison to the Fund's liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods.

At the 31 March 2019 actuarial valuation a deduction of 1.0% p.a. was therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2019 was 2.6% p.a.

This assumption was also reviewed in light of the Chancellor's announcement on the reform of RPI mentioned above. From 31 December 2020 CPI inflation is assumed to be 0.4% p.a. lower than the RPI assumption (i.e. 0.8% p.a. below the 20 year point on the Bank of England implied RPI inflation curve). This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority's proposal to change how RPI is calculated to bring it in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is adopted will depend on the funding target adopted for each Scheme employer.

For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the “ongoing” discount rate. The discount rate adopted for the 31 March 2019 valuation was 4.9% p.a.

For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected “termination date”), the employer becomes an exiting employer under Regulation 64.

The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.

The adjustment to the discount rate for closed employers may be set to a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a “minimum risk” rather than on an ongoing basis if the Fund does not believe that there is another Scheme employer to take on the responsibility of the liabilities after the employer has exited the Fund. The aim is to minimise the risk of deficits arising after the termination date.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer’s situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority’s views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI inflation	3.6% p.a.
CPI inflation	2.6% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.9% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

McCloud/Sargeant judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case, and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published.

Further details of this can be found below in the Regulatory risks section.

As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than 0.05% of the discount rate assumption.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found [Consultation on indexation and equalisation of GMP in public service pension schemes - GOV.UK \(www.gov.uk\)](http://www.gov.uk).

On 22 January 2018, the government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found <https://www.gov.uk/government/publications/indexation-of-public-service-pensions>.

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out in the Fund's separate Contribution review policy which, is attached as appendix A. This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a surplus or deficit then the levels of required employer contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.

The recovery periods adopted for the employers in the Fund for the 2019 valuation varied from 3 years to 19 years. This represents a reduction of five years from the maximum 24 year recovery period set at the 2016 valuation. The ultimate aim is to reach 100% funding, and a reduction of in the recovery period since the 2016 valuation demonstrates that the Fund is progressing towards that goal. Please note that recovery periods varied between individual employers. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount. The period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The funding pools adopted for the Fund at the 2019 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Academies	Past and future service pooling	All academies in the pool pay the same total contribution rate and have the same funding level
Small Scheduled bodies	Past and future service pooling	All town and parish councils in the pool pay the same primary rate but pay a secondary rate bespoke to their position
NSL Ltd	Past and future service pooling	All employers in the pool pay the same total contribution rate and have the same funding level
BAM FM	Past and future service pooling	All employers in the pool pay the same total contribution rate and have the same funding level

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice will be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice will be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

Risk-sharing

There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

At the 2019 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

Risk-sharing

Although a full risk transfer (as set out above) is most common, subject to agreement with the administering authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

The administering authority may consider risk-sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will become part of the Academies funding pool and will be allocated assets based on the funding level of the pool at the conversion date.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2019 valuation.

Where an academy joins an existing multi-academy trust in the Fund, additional contributions will be certified for the multi-academy trust in respect of the academy.

Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

Exit payment policy

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document attached as Appendix B. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Exit credit policy

Any surplus in the Fund in respect of the exiting employer may be paid from the Fund to the employer as an exit credit, subject to the agreement between the relevant parties and any legal documentation. Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of “pass-through” arrangements. This is on the basis that these employers would not have not been asked to pay an exit payment had a deficit existed at the time of exit.
- The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable will be subject to a maximum of the actual employer contributions paid into the Fund.
- As detailed above, the Fund Actuary may adopt differing approaches depending on the employer the specific details surrounding the employer’s cessation scenario. The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.
- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.
- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

However, the Pensions Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the 2019 funding valuation, the Fund commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meet its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employers against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case, and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. So far, two partial responses to the consultation have been issued:

- On 27 February 2020, a partial response was issued relating to policy changes to exit credits
- On 26 August 2020, a partial response was issued relating to review of employer contributions and flexibility on exit payments

This FSS has been updated in light of these responses and will be revisited again once the outcomes are known for the remaining items.

Detail of the outstanding policy proposals are outlined below:

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. This results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the significance of these types of employers in the Fund, this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

Employer risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
May 2022**

Somerset County Council Pension Fund Contribution Review Policy

Introduction

This document sets out the Somerset County Council Pension Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

Somerset County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

Under Regulation 62, Somerset County Council, as the administering authority for the Fund, is required to obtain a formal actuarial valuation of the Fund and a rates and adjustments certificate setting out the contribution rates payable by each Scheme employer for three year period beginning 1 April following that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority. This policy document sets out the administering authority's approach to considering the appropriateness of a review and the process in which a review will be conducted.

This policy has been prepared by the administering authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under this contribution review policy.

The review process

The events that may trigger a review are set out in the Triggering a contribution review section. The general process for assessing and conducting a review is set out below. Timescales may vary in practice depending on each individual circumstance but the timeline below provides a rough guide of the administering authority's general expectation.

Following completion of the review process, the administering authority may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by the administering authority in order to allow effective monitoring.

Timeline where initiation is made by the administering authority

Where the review is initiated by the administering authority (i.e. under conditions (i) and (ii) in the Triggering a contribution review section), the first stage after the administering authority has conducted its analysis is to engage with the Scheme employer and provide written evidence for requiring the review.

The Scheme employer will be given 28 days from the later of the date of receipt of the evidence provided by the administering authority and the date of receipt of the results of the formal contribution review to respond to the administering authority on the proposal. Should no challenge be accepted within this period then the administering authority will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed review date.

Should the Scheme employer challenge the administering authority's proposal, then the administering authority will continue to engage with the Scheme employer in order to reach an agreeable decision. If no decision has been agreed within 3 months of the initial proposal, then the administering authority may proceed with the revised contribution rates. Further details of the appeals process for the Scheme employer is set out in the Appeals process section.

Although the ultimate decision for review belongs to the administering authority, the administering authority is committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Timeline where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the Triggering a contribution review section.

The administering authority will aim to provide a response to the Scheme employer within 28 days from the date of receipt. This will depend on the quality of the documents provided and any need from the administering authority to request further information from the Scheme employer. The administering authority will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where the review of contributions has been initiated by the administering authority, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the administering authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the administering authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a council due to a move to unitary status
- Restructuring of a Multi Academy Trust
- A significant outsourcing or transfer of staff
- Any other restructuring or event which could materially affect the Scheme employer's membership
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the fund in future
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.

As part of its participation in the Fund, Scheme employers are required to inform the administering authority of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, the administering authority may identify events that merit a review of contributions.

In addition, the administering authority may initiate a review of contributions if they become aware of any events that they deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution
- Provision of, or removal of, security, bond, guarantee or some other form of indemnity by a Scheme employer
- A change in a Scheme employer's immediate financial strength
- A change in a Scheme employer's longer-term financial outlook
- Confirmation of wrongful trading
- Conviction of senior personnel
- Decision to cease business
- Breach of banking covenant
- Concerns felt by the administering authority due to behaviour by a Scheme employer's, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the administering authority over a significant period of time.

The administering authority is committed to engaging with Scheme employers on their participation in the Fund and through this can identify any Scheme employers that might be considered as high risk and whether any Scheme employers have had a significant change in riskiness. This in turn may affect the administering authority's views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This must be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Any requests not arising from either of these conditions will not be considered by the administering authority.

Requests by a Scheme employer are limited to one review per calendar year.

With the exception of any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, the administering authority will not accept a request for a review of contributions with an effective date within the 12 months preceding the next rates and adjustments certificate. It is expected in these cases that any requests can be factored in to the formal review and any benefits of carrying out a review just prior to the commencement of a new rates and adjustments certificate are outweighed by the costs and resource required. If a request is made with an effective date within the 12 months preceding the next rates and adjustments certificate, the administering authority will instead reflect these changes in the actuarial valuation and the rates being certified and taking effect the year following the valuation date.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
- Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
 - The most recent annual report and accounts for the Scheme employer
 - The most recent management accounts
 - Financial forecasts for a minimum of three years
 - The change in security or guarantee to be provided in respect of the Scheme employer's liabilities

The administering authority may require further evidence to support the request and this will be requested from the Scheme employer on a case by case basis.

Assessing the appropriateness of a review

The following general considerations will be taken into account by the administering authority, regardless of the condition under which a review is requested:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, the administering authority will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required, and will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. The administering authority will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

Whether any changes require the administering authority to exercise its powers to carry out a contribution review will be assessed on a case by case basis and with advice from the Fund Actuary and may involve other considerations as deemed appropriate for the situation. The final decision of whether a review of contribution rates will be carried out rests with the administering authority after, if necessary, taking advice from the Fund Actuary. Should a Scheme employer disagree with the administering authority, then details of the Appeals process is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the administering authority's assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

In assessing whether or not an administering authority will exercise its powers to review a Scheme employer's contribution rates under this condition, the administering authority will take into account the general considerations set out earlier in this section and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist
- The perceived change in the value of the indemnity to the administering authority, relative to the size of the Scheme employer's liabilities

It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case by case basis. Further considerations to that set out above may be relevant and will be taken into account by the administering authority as required.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, the administering authority will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

The starting point for reviewing a Scheme employer's contribution rates will in some cases be the most recent actuarial valuation. The table below sets out the general approach that will be used when carrying out this review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

	General approach
Member data	<p>In some cases, where the review is happening during or shortly after the valuation, the most recent actuarial valuation data will be used as a starting point.</p> <p>In most cases, given the review is due to an anticipated change in membership, the administering authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment.</p> <p>Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous Fund valuation are known.</p>

	General approach
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, and in line with that set out in the Fund's Funding Strategy Statement.
Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the conditions will be in line with those at the most recent actuarial valuation.
Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Surplus/deficit recovery period	The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing revised rates and adjustments certificate. Any deviations from the general approaches set out above will be agreed by the administering authority and the Fund Actuary.

Appeals process

To Be Confirmed

**Approved by the Pensions Committee
Somerset County Council Pension Fund
May 2022**

Somerset County Council Pension Fund Deferred Debt and Debt Spreading Agreements Policy

Introduction

This document sets out the Somerset County Council Pension Fund's policy on deferred debt agreements (DDAs) and debt spreading agreements (DSAs) for exiting employers.

Somerset County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the administering authority to enter into a deferred debt agreement with the employer while Regulation 64B enables the administering authority to enter into a debt spreading agreement.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying any existing or future secondary rate of contributions to fund any current or future deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the administering authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the administering authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Approach for exiting employers

In the event that an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The administering authority makes the exiting employer aware an exit payment is due by providing a revised rates and adjustments certificate in the form of a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's FSS.

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the administering authority, along with evidence, that they are unable to do so and may request to enter either a DDA or DSA. If the administering authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted within 21 days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 28 days.

Where possible, the administering authority encourages employers who are approaching exit and suspect they will have a deficit to engage with the administering authority in advance in order to understand the options that may be available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then perhaps a suspension notice may be more appropriate;
- the employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the administering authority may be willing to defer crystallisation of the cessation debt for an appropriately significant period of time, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or
- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The administering authority may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;
- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pensions risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the administering authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The administering authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA arrangement from an exiting employer the administering authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the arrangement was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Managing of costs

On receiving a request the administering authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the administering authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the administering authority will keep the exiting employer up-to-date with any increases. The administering authority will provide information on how and when payments should be made.

Appeals process

To be confirmed

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DDA within 21 days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exiting employer's residual liabilities relative to the size of the Fund;
- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the administering authority may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the administering authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DDA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the administering authority and the exiting employer and will be set out in a formal legal agreement.

The administering authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the administering authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the administering authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 3 months, although there may be circumstances where timings may vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as strain costs as a result of ill health retirements;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the administering authority;
- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the administering authority and provided to the deferred employer;
- promptly provide all such information that the administering authority may reasonably request in order to administer and manage the agreement; and
- give notice to the administering authority, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the administering authority. The administering authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the administering authority and employer may agree to amend the terms of the agreement. The administering authority will monitor a DDA in the following ways:

Change in funding position

The administering authority will request regular, and at least annual, updates of the deferred employer's funding position in order to review the progress of the DDA. The costs of the regular reviews will fall to the deferred employer as part of the terms for putting in place a DDA. If the funding position changes by more than 10% (in absolute terms) from the previous review then the administering authority may engage with the deferred employer to discuss a possible review of the DDA.

Change in employer covenant

Once an employer enters into a DDA, the administering authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the administering authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the administering authority will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The agreement will set out whether payments are made on a monthly or annual basis, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the administering authority will check there has been no change to the security at agreed regular intervals and as a minimum at each valuation cycle. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrolls new active members;
- the duration of the agreement has elapsed;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the administering authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or
- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the administering authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The administering authority will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy).

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's Funding Strategy Statement (FSS).

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the administering authority and in line with the Fund's exit credit policy.

Debt Spreading Agreements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund. Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DSA within 28 days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the administering authority may consider a DSA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period; or
- the exiting employer cannot afford the speeded payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the administering authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a deferred debt agreement but the administering authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;
- the interest rate applicable to the spread payments. In general, this will be set with reference to the discount rate in the employer's cessation valuation, for consistency with the liabilities calculated;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the administering authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DSA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DSA

The administering authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 28 days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the administering authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the administering authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case by case basis and set out in a side agreement as required.

The administering authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the administering authority then the DSA may be reviewed and/or terminated.

Change in employer covenant

The administering authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the administering authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the administering authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The administering authority with advice from the Fund Actuary may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

In the event that the administering authority believes that the exiting employer may not be able to make any of their remaining payments, the administering authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the administering authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the administering authority will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA has to be terminated prematurely the administering authority will seek to obtain from the exiting employer as much of the outstanding exit payments as possible or look at alternative arrangements such as a deferred debt agreement.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
May 2022**

Investment Strategy Statement

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

The regulations provide a prudential framework, within which administering authorities are responsible for setting their policy on asset allocation, risk and diversity. The Investment Strategy Statement will therefore be an important governance tool for the Somerset Pension Fund as well as providing transparency in relation to how Fund investments are managed.

The Somerset Pension Fund's primary purpose is to provide pension benefits for its members. The Fund's investments will be managed to achieve a return that will ensure the solvency of the Fund and provide for members' benefits in a way that achieves long term cost efficiency and effectively manages risk. The Investment Strategy Statement therefore sets out a strategy that is designed to achieve an investment return consistent with the objectives and assumptions set out in the Fund's Funding Strategy Statement.

The Somerset Pension Fund aims to be a long term investor, it seeks to invest in productive assets that contribute to economic activity, such as equities, bonds and real assets. The Fund diversifies its investments between a variety of different types of assets in order to manage risk.

The Investment Strategy Statement will set out in more detail:

- The Somerset Fund's assessment of the suitability of particular types of investments, and the balance between asset classes.
- The Somerset Fund's approach to risk and how risks will be measured and managed, consistent with achieving the required investment return.
- The Somerset Fund's approach to pooling and its relationship with the Brunel Pension Partnership.
- The Somerset Fund's policy on how social, environmental or corporate governance considerations are taken into account in its investment strategy, including its stewardship responsibilities as a shareholder and asset owner.

Under the previous regulations the Fund was required to comment on how it complied with the Myners Principles. These were developed following a review of institutional investment by Lord Myners in 2000, and were updated following a review by the National Association of Pension Funds in 2008. While a statement on compliance with the Myners Principles is no longer required by regulation, the Somerset Pension Fund considers the Myners Principles to be a standard for Pension Fund investment management. A statement on compliance is included at Annex 1.

This statement will be reviewed by the Pensions Committee at least triennially, or more frequently should any significant change occur.

2. Investment strategy and the process for ensuring suitability of investments

The primary objective of the Somerset Pension Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations.

In line with the Fund's Funding Strategy Statement, the Pensions Committee has set an objective of the Fund being at or above a 100% funding level, as calculated by the Fund's actuary at the triennial valuation, so that it can meet its current and future liabilities.

In order to meet these overriding objectives, the Somerset Pension Fund maintains an investment strategy so as to:

- Maximise the returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met;
- Contribute towards achieving and maintaining a future funding level of 100%;
- Enable employer contribution rates to be kept as stable as possible.

The Somerset Pension Fund has the following investment beliefs which help to inform the investment strategy derived from the decision making process.

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance are important factors for the sustainability of investment returns over the long term. More detail on this is provided in Section 5.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- Active management, after all relevant fees and charges, can add value to returns, albeit with higher short-term volatility.

The Pensions Committee annually adopts a target return for the investment funds as a whole. This target return is set with specific reference to the investment return assumed by the actuary as part of the valuation process and therefore explicitly links the Fund's targeted level of return with achieving and maintaining a future funding level of 100%.

In order to translate the above objectives and beliefs into a set of investment mandates for practical management of the investments the Pension Committee have created a customised benchmark for the Fund. The customised benchmark is an amalgamation of specific benchmarks for each investment mandate, which is then given to an investment manager (internal or external) for day to day management.

The customised benchmark sets out the intended long term weighting to various types of investment (or asset classes), such as equities, bonds and property and reflects the Fund’s investment strategy. The customised benchmark seeks to balance the affordability of contributions with the risk of different types of investments.

The investment strategy and customised benchmark are reviewed by the Pensions Committee annually to ensure they continue to meet the Fund’s investment objectives.

The Actuary considers the Pension Fund’s assets in broad terms – growth assets and stabilising assets. The table below splits the customised benchmark between these categories, along with an overview of the role each asset plays:

Asset Class	Strategic Allocation	Role(s) within the strategy	Geography	Currency
Equities				
Global Passive (FTSE Russell Paris Aligned series)	20%	Growth Inflation protection	Diversified	Diversified
UK Active	10%	Growth Inflation protection	UK	GBP
Global High Alpha Active	25%	Growth Inflation protection	Diversified	Diversified
Global Smaller Companies Active	5%	Growth Inflation protection	Diversified	Diversified
Emerging Market Active	5%	Growth Inflation protection	Diversified	Diversified
Total	65%			
Maximum	100%			

Bonds				
UK Gov't Bonds	4%	Stabilising	UK	GBP
UK Gov't Index linked bonds	4%	Stabilising Inflation protection	UK	GBP
Investment Grade corporate bonds	8%	Stabilising	Diversified	GBP
Multi-Asset Credit	3	Stabilising	Diversified	Diversified
Total	19%			
Maximum	100%			
Alternatives				
Property	10%	Growth Inflation protection	UK	GBP
Private equity	5%	Growth	Diversified	Diversified
Total	15%			
Maximum	25%			
Cash				
Cash	1%	Liquidity	UK	GBP
Total	1%			
Maximum	100%			

The Fund's benchmark currently includes a significant holding in 'growth' assets, specifically equities, reflecting its need for higher returns than from government bonds in the long term. These long term returns form part of the Actuary's assumptions and mean that employer contributions can be kept lower.

Actual asset allocation varies over time through the impact of market movements and cash flows. The overall balance is monitored regularly by officers and they have delegated authority to rebalance the assets taking into account market conditions and other relevant factors. The actual asset allocation and the actions taken by officers are reported to the Pensions Committee regularly.

As well as monitoring asset allocation officers also regularly monitor the largest single asset exposures and concentrations to ensure inappropriate exposures do not occur.

As there is a strong internal monitoring mechanism in place it is not deemed necessary to place an upper limit on the exposure of the fund to assets that are readily realisable such as assets listed on a regulated exchange or pooled funds that provide daily dealing. This is reflected in the maximum exposures of 100% quoted in the table above although it is not anticipated that this is likely to occur in anything but the most extreme circumstances. For assets that are illiquid, such as property and private equity funds a limit of 25% of the total value of the fund has been set.

It is anticipated that the majority of assets held will be collective investment funds provided by Brunel Pension Partnership Ltd., the Fund's chosen pool provider. Each Brunel offering is created to meet a specification agreed by Brunel and its Clients. Clients regularly review the portfolios to ensure they continue to meet, and do not deviate from, the agreed specifications.

Whilst it is now anticipated that the majority of holdings will be in collective investment funds the Somerset Pension Fund can invest in the following asset types:

- listed stocks, shares and warrants of companies;
- listed government and corporate bonds;
- futures and options;
- Interest rate and inflation swaps
- spot and forward currency contracts;
- cash deposits with suitable banks and building societies;
- stock-lending arrangements;
- unlisted collective investment schemes such as unit trusts and investment companies;
- limited liability partnerships (LLPs) ; and
- unlisted shares.

3. Risk measurement and management

Successful investment involves taking considered risks, acknowledging that the returns achieved will to a large extent reflect the risks taken. There are short-term risks of loss arising from default by brokers, banks or custodians but the Somerset Pension Fund is careful only to deal with reputable counter-parties to minimise any such risk.

Longer-term investment risk includes the absolute risk of reduction in the value of assets through negative returns (which cannot be totally avoided if all major markets fall). It also includes the risk of under-performing the Fund's performance benchmark (relative risk).

Different types of investment have different risk characteristics and have historically yielded different rewards (returns). Equities (company shares) have produced better long-term returns than fixed interest stocks but they are more volatile and have at times produced negative returns for long periods.

In addition to targeting an acceptable overall level of investment risk, the Pensions Committee seeks to spread risks across a range of different sources, believing that diversification limits the impact of any single risk. The Committee aims to take on those risks for which a reward, in the form of excess returns, is expected over time.

The key investment risks that the Somerset Pension Fund is exposed to are:

- The risk that the Fund's growth assets in particular do not generate the returns expected as part of the funding plan in absolute terms.
- The risk that the Fund's assets do not generate the returns above inflation assumed in the funding plan, i.e. that pay and price inflation are significantly more than anticipated and assets do not keep up.
- That there are insufficient funds to meet liabilities as they fall due.
- That active managers underperform their performance objectives.

At Fund level, these risks are managed through:

- Diversification of investments by individual holding, asset class and by the investment managers appointed on behalf of the Fund by the Brunel Pension Partnership.
- Explicit mandates governing the activity of investment managers.
- The appointment of an Independent Investment Advisor.

The external investment managers can control relative risk to a large extent by using statistical techniques to forecast how volatile their performance is likely to be compared to the benchmark. The Fund can monitor this risk and impose limits.

The Somerset Pension Fund is also exposed to operational risk; this is mitigated through:

- A strong employer covenant.
- The use of a Global Custodian for custody of assets.
- Having formal contractual arrangements with investment managers.
- Comprehensive risk disclosures within the Annual Statement of Accounts.
- Internal and external audit arrangements.

The ultimate risk is that the Fund's assets produce worse returns than assumed by the Actuary, who values the assets and liabilities every three years, and that as a result, the solvency of the Fund deteriorates. To guard against this the Investment Strategy seeks to control risk but not to eliminate it. It is quite possible to take too little risk and thereby to fail to achieve the required performance.

The Somerset Pension Fund also recognises the following (predominantly non-investment) risks:

Longevity risk: this is the risk that the members of the Fund live longer than expected under the Actuarial Valuation assumptions. This risk is captured within the Actuarial Valuation report which is conducted at least triennially and monitored by the Committee, but any increase in longevity will only be realised over the long term.

Sponsor Covenant risk: the financial capacity and willingness of the sponsoring employers to support the Fund is a key consideration of the Committee and is reviewed on a regular basis.

Liquidity risk: the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long-term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at relatively short notice.

Regulatory and political risk: across all of the Fund's investments, there is the potential for adverse regulatory or political change. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes. The Committee will attempt to invest in a manner which seeks to minimise the impact of any such regulatory or political change should such a change occur.

Climate change risk: climate change is a systemic investment risk that may have an impact on investee companies as a result of both the consequences of climate change and the transition to a low carbon economy. The Fund's approach to climate change is included in section 5 of the Investment Strategy Statement, and the Fund will expect Brunel and other fund managers to have policies in place to manage the risk.

Cashflow risk: the Fund's cashflow is currently positive, in that income from contributions currently meet benefit obligations without the need to disinvest from the Fund's investments. Over time, it is likely that the size of pensioner cashflows will increase as the Fund matures and greater consideration will need to be given to raising capital to meet outgoings. The Pensions Committee recognises that this can present additional risks, particularly if there is a requirement to sell assets at inopportune times, and so looks to mitigate this by taking income from investments where possible.

Governance: members of the Pensions Committee and Local Pension Board participate in regular training delivered through a formal programme. Both the Pensions Committee and Local Pension Board are aware that poor governance and in particular high turnover of members may prove detrimental to the investment strategy, fund administration, liability management and corporate governance and seeks to minimise turnover where possible.

The Fund maintains a risk register which is considered by the Pensions Committee regularly and updated as necessary. The risk register considers a number of investment and non-investment risks such as those above.

The Fund's Funding Strategy Statement specifically covers the risks with respect to Funding and how these are managed by the Fund.

4. Approach to asset pooling

The Somerset Pension Fund participates with nine other administering authorities to pool investment assets through the Brunel Pension Partnership. At the centre of the partnership is Brunel Pension Partnership Limited (Brunel), a company established specifically to manage the assets within the pool.

The Somerset Pension Fund, through the Pensions Committee, retains the responsibility for setting the detailed strategic asset allocation for the Fund and allocating investment assets to the portfolios provided by Brunel.

The Brunel Pension Partnership Ltd, established in July 2017, is a company wholly owned by the Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the detailed strategic asset allocations of the participating funds by investing those funds' assets within defined outcome focused investment portfolios. In particular, it researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio. Brunel will create collective investment vehicles for quoted assets such as equities and bonds; for private market investments it will create and manage an investment programme with a defined investment cycle for each asset class.

As a client of Brunel, the Somerset Pension Fund has the right to expect certain standards and quality of service. The Service Agreement between Brunel and its clients sets out in detail the duties and responsibilities of Brunel, and the rights of the Somerset Pension Fund as a client. It includes a duty of care of Brunel to act in its clients' interests.

The governance arrangements for the pool have been established. The Brunel Oversight Board is comprised of representatives from each of the Administering Authorities and two fund member observers, with an agreed constitution and terms of reference. Acting for the Administering Authorities, it has ultimate responsibility for ensuring that Brunel delivers the services required to achieve investment pooling and deliver each fund's investment strategy. Therefore, it has a monitoring and oversight function. Subject to its terms of reference it will consider relevant matters on behalf of the Administering Authorities, but does not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually. As shareholders of Brunel, the Administering Authorities' shareholder rights are set out in the Shareholders Agreement and other constitutional documents.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but will also draw on Administering Authorities finance and legal officers from time to time. It has a primary role in reviewing the implementation of pooling by Brunel. It provides a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It is responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function. The Client Group will monitor Brunel's performance and service delivery for each of the established Brunel portfolios. The Somerset Pensions Committee will receive regular reports covering portfolio and Fund performance and Brunel's service delivery.

The proposed arrangements for asset pooling for the Brunel pool were formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress, and the Minister for Local Government has confirmed on a number of occasions that the pool should proceed as set out in the proposals made.

Somerset's Pensions Committee approved the full business case for the Brunel Pension Partnership in 2017. The process of transitioning the Fund's assets to the portfolios managed by Brunel started in April 2018 (the passive equity assets transitioned in July 2018) and was completed (except for legacy private market assets) in July 2021.

Following the completion of the transition plan, virtually all of the Somerset Pension Fund's assets are invested through Brunel portfolios except certain cash holdings. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the Brunel portfolios. These assets will be managed in partnership with Brunel until such time as they are liquidated, and capital is returned.

5. Social, environmental and corporate governance policy

The Somerset Pension Fund has a fiduciary duty to seek to obtain the best financial return that it can for its members. This is a fundamental principle, and all other considerations are secondary. However, the Fund is also mindful of its responsibilities as a long term shareholder, and the Pensions Committee regularly considers the extent to which it wishes to take into account social, environmental or ethical issues in its investment policies. The Fund's policy is to support engagement with companies to effect change, rather than disinvestment.

In the light of that overarching approach the following principles have been adopted:

- The Fund seeks to be a long term responsible investor. The Fund believes that in the long term it will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long term sustainable success of the global economy and society.
- Social, environmental and ethical concerns will not inhibit the delivery of the Fund's investment strategy and will not impose any restrictions on the type, nature of companies/assets held within the portfolios that the Fund invests in. However, the identification and management of ESG risks that may be financially material is consistent with our fiduciary duty to members.
- The Fund will seek to engage (through the Brunel Pension Partnership, its asset managers or other resources) with companies to ensure they can deliver sustainable financial returns over the long-term as part of comprehensive risk analysis. Engagement with companies is more likely to be successful if the Fund continues to be a shareholder.
- Although social, environmental and ethical issues rarely arise on the agendas of company Annual General Meetings, where an issue does arise the Fund's investment managers will vote in accordance with the Fund's interest on investment grounds. Some issues may be incorporated into generally accepted Corporate Governance Best Practice (e.g. the inclusion of an Environmental Statement in the Annual Report and Accounts). In this case the Council will instruct its external investment managers to vote against the adoption of the Annual Report, if no such statement is included.
- The Fund recognises the risks associated with social, environmental and governance (ESG) issues, and the potential impact on the financial returns if those risks are not managed effectively. The Fund will work with its partners in the Brunel pool and the Brunel Pension Partnership Limited company to ensure that robust systems are in place for monitoring ESG risk, both at a portfolio and a total fund level, and that the associated risks are effectively managed.
- More broadly the Fund adopts the policies set out in the Brunel Responsible Investment Policy. The Brunel policy can be found at:
<https://www.brunelpensionpartnership.org/responsible-investment/responsible-investment-policy/>

Climate Change

The Somerset Pension Fund believes climate change poses significant risks to global financial stability and could thereby create climate-related financial risks to the Fund's investments unless action is taken to mitigate these risks. In recognising the need to address the risks associated with climate change posed to both the Fund's investments and our beneficiaries, we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and play our part in helping deliver the goals of the Paris Agreement. The Somerset Pension Fund has therefore pledged that its portfolio of investments will be net-zero by 2040, or sooner if investment products allow. In order to achieve this goal, the Fund has set an initial target of a 7% per annum reduction in the Weighted Average Carbon Intensity (WACI) of the Fund's investments, based on the March 2019 calculation of the WACI, to be reviewed in 2022. This recognises the need for significant progress in the earlier part of the period to 2040, with the intention of achieving at least a 50% reduction by 2030. These targets will also be applied to the Fund's exposure to fossil fuel reserves as a proxy for downstream scope 3 emissions which are not captured within the WACI calculation.

This will be achieved by the following strategy.

(a) We recognise that climate change will have impacts across our portfolios. This means we look to the Brunel Pension Partnership and all our asset managers to identify and manage climate-related financial risks as part of day-to-day fund management. The way those risks and opportunities present themselves varies, particularly in evaluating what a portfolio aligned to the Paris Agreement looks like.

(b) The Somerset Pension Fund wants to play its part in achieving real economy emissions reductions. This means that we are looking for investee companies, irrespective of industry or type, to make significant reductions in their emissions, rather than just shifting our investments from higher emitting companies to lower emitting companies. The Fund does not therefore consider a top-down approach to divestment to be an appropriate strategy. By integrating climate change into risk management process, using carbon footprinting, assessing fossil fuel exposure and challenging managers on physical risks, we seek to both reduce climate and carbon risk and achieve real reductions in global emissions. Where investee companies fail to engage with climate change issues, selective divestment may be appropriate based on investment risk.

(c) We are committed to working with Brunel to decarbonise our investments in listed portfolios. Decarbonisation is achieved by being selective in the allocation of capital, particularly to carbon intense companies. This process is informed by using a variety of tools in combination with industry and corporate engagement. For example, engagement with electric utility companies about their future strategy on energy sources informs the investment decisions relating to those companies and indeed the relative attractiveness of the sector over time.

(d) The Somerset Pension Fund will collaborate via the Brunel Pension Partnership and the Local Authority Pension Fund Forum (LAPFF) to advocate policy and regulatory reforms aimed at achieving global net zero emissions by 2050 or sooner. This will include engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner.

(e) We expect the engagement and voting conducted on behalf of the Fund by LAPFF, Brunel and underlying investment managers to be consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2040 or sooner. The Fund's stewardship and voting policies are set out more fully in section 6 of the Investment Strategy Statement.

(f) Climate change risk and carbon reduction targets will be a consideration in reviews of the Fund's strategic asset allocation. This will be considered ensuring consistency with the Fund's fiduciary duty to achieve the investment returns required to meet its future pension liabilities.

(g) The Somerset Pension Fund adopts the Brunel Pension Partnership's climate change policy, found at the following link: <https://www.brunelpensionpartnership.org/climate-change/>

(h) Somerset County Council has committed to reduce the carbon emissions from its operations to net-zero by 2030. This will include the operational emissions of the Somerset County Council Investment Team in the oversight of the Somerset Pension Fund's investments, and the administration of benefits by Peninsula Pensions in conjunction with Devon County Council.

(j) We are committed to being transparent about the carbon intensity of our investments through the publication of the Fund's carbon footprint and reserves exposure on an annual basis. This will enable us to measure progress against the targets set out above. The Fund will also report on delivery through the Brunel Annual Climate Action Plan and work towards meeting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

6. Stewardship Policy

The Somerset Pension Fund is committed to responsible stewardship and believe that through stewardship it can contribute to the care, and ultimately long-term success, of all the assets within our remit.

The Fund supports and applies the UK Stewardship Code 2020 definition of stewardship: “Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.”

The Somerset Pension Fund works with or through the Brunel Pension Partnership, the Local Authority Pension Fund Forum and/or other partners to pursue activities which are outcomes focused, which prioritise the pursuit and achievement of positive real-world goals, and where there is enhanced collaboration which focuses on collective goals to address systemic issues. From a bottom up perspective, this includes:

- Engaging with companies and holding them to account on material issues.
- Exercising rights and responsibilities, such as voting.
- Integrating environmental, social and governance factors into investment decision making.
- Monitoring assets and service providers.
- Collaborating with others.
- Advancing Policy through advocacy.

The Somerset Pension Fund fully endorses and supports the Brunel Pension Partnership Stewardship Policy, and the Somerset Pension Fund’s policy should be seen as fully consistent in all aspects. The full Brunel policy can be found at: <https://www.brunelpensionpartnership.org/investing-responsibly/stewardship/>

The following section sets out in detail the Somerset Pension Fund’s policies on stewardship, including its policy on the exercise of rights, including voting rights, attached to investments.

Governance and Oversight

The Pensions Committee approves and is collectively accountable for the Fund’s Policies, which includes the Stewardship Policy. Operational accountability on a day-to-day basis is held by officers in line with the Fund’s Scheme of Delegation. The Fund requires the Brunel Pension Partnership to provide a suite of public reports on their stewardship activities, and environmental, social and governance metrics to empower the Somerset Pension Fund’s stewardship activities and to enable oversight.

The Somerset Pension Fund believes in the importance of regular and in-depth shareholder and stakeholder engagement. Our Stewardship Policy has been developed in conjunction with that of the Brunel Pension Partnership, which in turn has been developed in collaboration with key stakeholders, including the Brunel Oversight Board, Brunel Client Group, and the Client Responsible Investment (RI) Sub-Group. The RI Sub-Group is made up of members of Brunel's clients and meets monthly, it provides an opportunity for clients to:

- Raise stewardship interests.
- Share best practice with Brunel and amongst partner funds.
- Provide insights on concerns, issues, and member perspectives.
- Shape priorities of Brunel and Equity Ownership Services (EOS) at Federated Hermes.
- Review reporting outputs.
- Knowledge share and receive in-depth reports on topics of interest.
- Access expertise.
- Consult on policy design and development.

Identifying and Prioritising Engagement

The Somerset Pension Fund will expect Brunel to identify engagement objectives in four ways:

- Top down, to identify thematic areas of risk and opportunity.
- Bottom up, to review exposure to individual companies and to specific ESG risks and opportunities. Companies should be identified through asset managers, collaborative engagement forums, external research, and Brunel's own internal ESG risk analysis.
- Reactively to events, for example, after a specific, usually significant, incident. The companies that Brunel actively engage with should be prioritised based on our level of exposure and the probability of successful outcome.
- Brunel should be responsive to client concerns. Where the Fund raises specific issues, which could be as a result of Fund member concerns or points raised by Pension Committee or Pension Board members, Brunel will be expected to engage with companies to address the concerns raised.

The Somerset Pension Fund is a global investor and seeks to apply the principles of good stewardship globally. It is a strong advocate of the benefits of global stewardship codes to improve the quality of stewardship, and when updates are made aims to adopt best practice. As a UK-based investor our key reference points are the UK Stewardship Code 2020 and UK Corporate Governance Code and guidance produced by UK industry bodies, for example, the British Venture Capital Association (BVCA – private equity) RI toolkit.

The Somerset Pension Fund is committed to supporting policy makers, regulators and industry bodies in the development and promotion of the codes and supporting guidance. The Fund publishes an annual review of its stewardship and engagement activities in its Annual Report which is intended to meet the best practice requirements of the UK Stewardship Code 2020 and support the Fund's compliance with the Shareholder Rights Directive II. The Fund is a strong supporter of the UK Corporate Governance Code and the application of the Companies Act S172 (Duty to promote the success of the company). It believes that corporate behaviour in line with the spirit of the Act more broadly is essential to the Fund's objective of contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.

The Somerset Pension Fund encourages companies either to comply with such codes or to fully explain their reasons for noncompliance. However, it is also cognisant that good governance cannot be guaranteed solely by adherence to the provisions of best practice governance codes. Therefore, we urge companies to consider carefully how best to apply the principles and the spirit of such codes to their own circumstances and to clearly communicate to investors the rationale behind their chosen approach.

Transparency and Collaboration

Good stewardship requires a good understanding of the assets that the Fund invests in. This is done in collaboration with Brunel, who do it directly, through EOS at Federated Hermes, their asset managers, and other initiatives. Working closely with company boards is one of the most effective means to achieve this but requires the establishment of mutual trust and, at times, confidentiality. It is also acknowledged that, when working collaboratively with other investors, we must respect other disclosure requirements and restrictions.

The Fund publishes regular updates on its stewardship activities, including quarterly engagement and voting activity analysis presented to the Pension Committee, and the annual review included in the Fund's Annual Report.

The Fund believes that working collaboratively is essential to delivering its objectives as the scope and scale of investments means that we need to draw on the expertise of others, including Brunel, the Local Authority Pension Fund Forum (LAPFF), and not least the asset managers employed by both Brunel and directly by the Fund. In addition to managers and specialist advisors, the Fund supports a number of organisations and initiatives that enable its ability to work collaboratively – for example this includes membership of LAPFF. The Fund's reporting will evidence its activities.

Conflicts of Interest

Somerset County Council has a robust Code of Conduct and Conflicts of Interest policy, which all members of the Pensions Committee (whether Somerset County Councillors or not) are required to adhere to. The policies can be found at:

<https://somersetcc.sharepoint.com/sites/SCCPublic/CouncilDemocracy/Forms/AllItems.aspx?id=%2Fsites%2FSCCPublic%2FCouncil%20Democracy%2FC%20Code%20of%20Conduct%20for%20Members%20and%20Co%20Dopted%20Members%20%281%29%2Epdf&parent=%2Fsites%2FSCCPublic%2FCouncil%20Democracy&p=true>

Pensions Committee members are required to make declarations of interest prior to committee meetings in line with the Council's code of conduct and interest rules. This would ensure that if committee members had any personal interests in any company that the Fund invests in that may have an impact on stewardship activity then those interests would be declared and managed.

The management of conflicts is important in building long-term relationships with the companies the Fund invests in and with its partnerships. In particular, the Fund expects Brunel to have a robust approach to conflicts of interest. This includes having comprehensive controls operating at all levels within the business to prevent conflicts of interest from adversely affecting the interests of the Somerset Pension Fund and other clients, including the Fund's members and employers.

The effective management of potential Conflicts of Interest is a key component of Brunel's due diligence on all asset managers and service providers, as well as ongoing contract management. Conflict of interest clauses are included in investment management agreements. Conflicts are also considered when undertaking voting and engagement. Details on how EOS at Federated Hermes, Brunel's appointed engagement voting provider, approach conflicts of interest are available on their website at:

<https://www.hermes-investment.com/ukw/wp-content/uploads/2020/05/stewardship-conflicts-of-interest-policy-2020.pdf>

Data and Information

The Fund recognises that ESG data is a developing discipline and is a strong advocate for improved disclosure from companies and assets in which it invests. The Fund will use a variety of data sources to analyse the ESG risks of its investments and asset allocation strategy. It expects Brunel to use its own analysis and that of its asset managers to inform its stewardship activity and risk ESG management, as well as media and company reports and a variety of third party proprietary and public data sources.

Given the lack of standardisation and transparency across ESG data, differing methodologies can lead to different outputs and biases. On behalf of the Fund and other clients, Brunel use a variety of best in class providers, which leverage the Sustainability Accounting Standards Board's (SASB) materiality framework, to reduce bias, provide greater coverage of our assets, improve awareness of differences in data providers or to aid specific targeted engagement priorities. SASB promotes better quality reporting on material ESG risks, the standards focus on financially material issues. Another framework Brunel endorses is the Task Force on Climate-related financial disclosures (TCFD) which has developed a set of consistent climate-related financial disclosures that can be used by companies. Further detail on the TCFD is located in Brunel's Responsible Investment Policy and Climate Change Policy.

These sources of data are embedded into quarterly reports reviewed by Brunel at quarterly Brunel Investment Risk Committee meetings and are included in the reports provided to the Somerset Pensions Committee.

The Fund recognises that data provision is a continuously evolving area. The Fund supports Brunel's policy of reviewing their use of providers annually and providing feedback where developments could be made. Brunel seek to stimulate market-wide improvements in ESG risk analysis and commit to continue to innovate, adapt and improve to ensure the availability of robust, independent and effective data to work collegiately with external asset managers on the management of the whole spectrum of investment risks.

Voting

Responsibility for the exercise of voting rights has been delegated to the Brunel Pension Partnership. For the Brunel passive portfolios, Brunel have further delegated voting to Legal and General Investment Management but have retained the right to direct split voting on significant issues. The below link provides information on Legal and General Investment Management's approach to active ownership.

<https://www.lgim.com/uk/en/capabilities/corporate-governance/>

Brunel have adopted voting guidelines, following extensive consultation with their client funds, which can be found on their website.

The Somerset Pension Fund requires that Brunel will always seek to exercise its rights as shareholders through voting. This means seeking to vote 100% of available ballots. However, as with any process, errors and issues can occur. If the level of voting drops below 95% this would raise a cause for concern, be investigated and corrective action identified.

Votes should be cast applying the following principles:

Consistency: Brunel should vote consistently on issues, in line with their Voting Policy, applying due care and diligence, allowing for case-by-case assessment of companies and market-specific factors. This should include consideration of engagement with companies when voting.

No abstention: Brunel should aim to always vote either in favour or against a resolution and only to abstain in exceptional circumstances or for technical reasons, such as where a vote is conflicted, a resolution is to be withdrawn, or there is insufficient information upon which to base a decision.

Supportive: Brunel should aim to be knowledgeable about companies with whom they engage and to always be constructive. Brunel should aim to support boards and management where their actions are consistent with protecting long-term shareholder value.

Long-term: Brunel should seek to protect and optimise long-term value for shareholders, stakeholders and society.

Engagement: Brunel should support aligning voting decisions with company engagement and escalate the vote if concerns have been raised and not addressed in the prior year.

Transparency: The Somerset Pension Fund expects Brunel to be transparent and publish voting activity no less than twice per year.

The Somerset Pension Fund expects that companies will conduct themselves as follows:

Accountability: The directors of a company must be accountable to its shareholders and make themselves available for dialogue with shareholders.

Transparency: We expect companies to be transparent and to disclose, in a timely and comprehensible manner, information to enable well-informed investment decisions. This includes environmental and social issues that could have a material impact on the company's long-term performance.

One Share, One Vote: We support one share, one vote. Where a company issues shares with differing rights, they must define these rights transparently and clearly explain why rights are not equal.

Informed votes: We expect companies to make complete materials for general meetings available to shareholders and, where possible, to do so in advance of the legal timeframes for the meeting.

Development: We encourage companies to explore technology to improve the voting process and confirmation, such as blockchain, virtual meetings, electronic voting, and split voting (ownership proportion).

The Somerset Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF also conducts significant engagement with companies on behalf of their member funds, and where there is a significant issue to be voted on at a company AGM they will issue a voting alert, with a recommendation to member funds on how to vote.

Where a voting alert has been issued by LAPFF, the Somerset Pension Fund expects that Brunel (and Legal and General Investment Management) should give consideration to LAPFF's recommendation when deciding how to vote. Brunel should report back to the Fund on how they have voted and the rationale for their vote, especially where they vote differently to the LAPFF recommendation.

In exceptional circumstances, the Somerset Pension Fund may direct a split vote where the Fund has a specific investment policy commitment. Brunel has made provisions to allow clients, by exception, to direct votes, including the passive pooled funds, as an elective service. Client funds need to submit the request in line with the issuance of the meeting notification, usually not less than 2-3 weeks prior to an AGM/EGM.

The following issues are of particular concern to the Somerset Pension Fund in determining how shares should be voted. The Fund's policies on these issues align with Brunel's voting guidelines, which are not repeated in full here, but more details can be found at:

https://www.brunelpensionpartnership.org/voting_guidelines/

Sustainability: Companies should effectively manage environmental and social factors, in pursuit of enhancing their sustainability. A company's governance, social and environmental practices should meet or exceed the standards of its market regulations and general practices and should take into account relevant factors that may significantly impact the company's long-term value creation. Issuers should recognise constructive engagement as both a right and a responsibility.

Human and Natural Capital: Companies operate interdependently with the economy, society, and the physical environment. The availability and retention of an appropriately skilled workforce will impact company productivity. Similarly, companies impact the environment through their use of natural resources e.g. water, waste and raw materials. The physical environment has an impact too; extreme weather can disrupt supply chains, either directly or indirectly which can impact company productivity. Companies should manage their workforce and natural capital effectively to enhance their productivity and to deliver sustainable returns. Companies should regularly disclose key metrics on their capital requirements and risks. Directors of companies should be accountable to shareholders for the management of material environmental and social risks which, over the long term, will affect value and the ability of companies to achieve long term returns.

Company Boards – Conduct and Culture: Corporate culture and conduct have always been important, but recent evidence from incidents where conduct has fallen below the expected standards has reinforced the need to focus on conduct and culture, as well as highlighting the financial risks linked to low standards on conduct.

Board Composition and Effectiveness: The composition and effectiveness of boards is crucial to determining company performance. Boards should comprise a diverse range of skills, knowledge, and experience, including leadership skills, good group dynamics, relevant technical expertise and sufficient independence and strength of character to challenge executive management and hold it to account.

The Somerset Pension Fund believes that to function and perform optimally, companies and their boards should seek diversity of membership. They should consider the company's long-term strategic direction, business model, employees, customers, suppliers and geographic footprint, and seek to reflect the diversity of society, including across race, gender, skill levels, nationality and background. Robust succession planning at the Board and senior management level is vital to safeguard long-term value for any organisation, including planning for both unanticipated and foreseeable changes.

The board is accountable to shareholders and should maintain ongoing dialogue with its long-term shareholders on matters relating to strategy, performance, governance and risk and opportunities relating to environmental and social issues. This dialogue should support, but not be limited to, informing voting decisions at annual meetings.

Executive Remuneration: Executive remuneration is a critical factor in ensuring management is appropriately incentivised and aligned with the best interests of the long-term owners of the business. Whilst judgement of remuneration is therefore made on a case-by-case basis, we adhere to the following guiding principles:

- **Simplicity:** pay schemes should be clear and understandable for investors as well as executives.
- **Shareholding:** the executive management team should make material investments in the company's shares and become long-term stakeholders in the company's success.
- **Alignment and quantum:** pay should be aligned to the long-term success of the company and the desired corporate culture and is likely to be best achieved through long-term share ownership.
- **Accountability:** remuneration committees should use discretion to ensure that pay properly reflects business performance. Pay should reflect outcomes for long-term investors and take account of any decrease in the value of or drop in the reputation of the company.
- **Stewardship:** companies and investors should regularly discuss strategy, long-term performance and the link to executive remuneration.
- **Behaviour:** the most senior executives should willingly embrace the approach described. If they do not, boards should consider the implications.

Audit: The audit process is vital to ensuring the integrity of company reporting and the presentation of a true and fair view, enabling shareholders to assess the financial health and long-term viability of a company.

Protection of Shareholder and Bondholder Rights: The rights of shareholders and bondholders should be protected, including the right to access information, to receive equal treatment and to propose resolutions and vote at shareholder meetings. We support a single share class structure and generally oppose any measures to increase the complexity of shareholding structures. We will generally require the unbundling of resolutions, giving shareholders the right to vote distinctly on the general, and enhanced authorities to issue shares as separate items on the agenda of shareholder meetings. We also support adherence to the highest possible standards on listed stock exchanges.

Stock Lending and Share Recall

The Fund permits holdings in its segregated portfolios to be lent out to market participants. Stock lending is an important factor in the investment decision, providing opportunities for additional return, but that lending should not undermine governance, our ability to vote or long-term investing. The stock lending programme is managed by Brunel, and the Somerset Pension Fund adopts Brunel's policies on stock lending and share recall.

Voting rights attached to a stock or security reside with the borrower for as long as it is out on loan. Stock will be recalled from stock lending where Brunel considers it in the client's best interest and consistent with our investment principles.

Where there is a perceived trade-off between the economic benefit of stock lending, and Brunel's ability to discharge its obligations as a responsible long-term investor, the latter will have precedence. Securities lending entails operational process risks such as settlement failures or delays in the settlement of instructions. The Fund expects Brunel to undertake a comprehensive review of the potential risks and implemented measures to mitigate and reduce the risk. Controls include, but are not limited to:

- An approved borrowers list.
- Retention of 5% of any one stock.
- On average, stock will be lent no longer than 21 days.
- Restrictions on acceptable collateral.

All measures and service level agreements are regularly monitored. Brunel examines the selection criteria for approved borrows to confirm consistency with Brunel's internal requirements regarding appropriate criteria. The selection criteria and content of the Approved List will be reviewed by Brunel at least annually.

There may be some instances where Brunel decides not to stock lend, for example where they have co-filed a shareholder resolution, but particularly where there are concerns of borrowers deliberately entering transactions to sway the outcome of a shareholder vote.

The decision to stock lend is a collective decision made by Brunel's clients and is supported by the Somerset Pension Fund. Stock lending is applied at portfolio level and reviewed annually as part of the product governance cycle. The policy and relevant SLAs are also reviewed annually. Brunel's approach to responsible stock lending is outlined in further detail in a separate policy.

Fixed Interest

Fixed interest instruments are debt instruments and therefore do not usually confer voting rights. However, the Fund believes that well-governed companies are more likely to make their loan repayments and improve their creditworthiness, enabling better access to funds to support the creation of long-term value for shareholders, other stakeholders, society, and the environment.

Where voting rights are not attached and where opportunity to engage is limited, stewardship focuses on the managers' investment decision-making. The Somerset Pension Fund expects Brunel to integrate Environmental Social and Governance (ESG) considerations into manager selection and ongoing manager monitoring to ensure that ESG is imbedded into the investment process at an issuer, sector, and geographic level.

Where voting rights are attached to fixed income, the Fund, via Brunel, will have the opportunity to vote at company meetings (AGM/EGMs). The Fund would look to Brunel to engage particularly prior to issuance, where the most impact can be made. However, we recognise that there is more work to be done in this asset class.

Private Markets

Stewardship is an intrinsic part of private markets investing due to the degree of influence and control, lack of short-term results pressure on capital markets, and long-term nature of the investments that are made. There are however some natural barriers to stewardship due to the lack of disclosure and often opaque nature of the asset classes and arm's length relationships between general partners (GPs) and limited partners (LPs). As a result, in-depth due diligence is critical, alongside building close relationships and exerting influence where possible.

When assessing potential private market investments, the Somerset Pension Fund would expect Brunel to pay particular attention to ESG and sustainability throughout the selection process. We believe that well governed investments and those with strong ESG and sustainability characteristics will offer better long-term risk-adjusted returns.

Managers should have firm ESG and climate change policies in place, and these should be considered across the value chain, from investment due diligence to ongoing managing, monitoring, and ultimately disposal of the assets. As part of this due diligence Brunel examine case studies to evidence these policies are in place and, crucially, are being actioned. Proof of implementation is critical and supersedes all else. The Fund and Brunel will support managers and encourage best practice, forgiving policies and processes not being formalised so long as the manager commits to action in a reasonable timeframe.

Application of robust stewardship in private markets is very dynamic. Brunel seeks to use the appropriate mechanisms relative to the asset class, size and complexity of the investment, position in the capital structure and the influence that does or does not permit.

Stewardship actions across private markets include:

- Ensuring appropriate governance structures are in place, with particular attention paid where managers have minority positions in assets.
- Assessing the manager's approach to diversity and inclusion and where possible tracking metrics to substantiate claims.
- Assessing the manager's knowledge and commitment to Responsible Investment and climate change mitigation and avoidance.
- Assessing how Responsible Investment is integrated into the investment and asset management processes and fully embedded in the culture of the organisation (both deal teams and operations teams), or whether this is siloed in a separate ESG team.
- Supporting the manager's ongoing development of their Responsible Investment and Stewardship practices, including where appropriate participation in events, workshops as a representative on the Limited Partner Advisory Committee (LPAC)
- Establishing what commitments to Responsible Investment through existing or planned memberships/affiliations with organisations such as Principles for Responsible Investment (PRI), TCFD, GRESB and/or have adopted the SASB framework
- Assessing the awareness, training, capacity and track record on Responsible Investment issues
- Working with managers to improve transparency and quality of the manager's ESG approach and reporting.

Further details of Brunel's approach to private markets are included in the Brunel Stewardship Policy.

Reporting

The Pension Committee will monitor Brunel's engagement with the companies they have invested in, through the regular reporting arrangements in place. Brunel and LGIM's voting records will be reported to Committee on a quarterly basis.

The Somerset Pension Fund Annual Report each year includes a report focusing on stewardship and voting activity. A summary of Brunel's stewardship activities is also included.

7. Advice taken

This Investment Strategy Statement has been put together by Somerset County Council's professional investment officers, supported by the Fund's Independent Investment Advisor.

The Fund has committed to pooling investments through the Brunel Pension Partnership Limited (BPP Ltd.), and advice from both Brunel and the Brunel Client Group has also been taken into account in shaping the Fund's response to the pooling initiative and building an investment strategy that can be implemented via Brunel.

The Brunel Client Officer Group has provided support with regard to the impact on strategy of the investment pooling proposals. The group comprises the investment officers from the Avon Pension Fund (Bath and NE Somerset Council), Buckinghamshire Council, Cornwall Council, Devon CC, Dorset Council, Gloucestershire CC, Oxfordshire CC, Somerset CC, Wiltshire Council and the Environment Agency.

8. Arrangements for reviewing this statement

The guidance requires that the Investment Strategy Statement should be revised at least every three years, and when any significant changes are made to the Fund's investment strategy.

This Investment Strategy Statement will be regularly reviewed by the pensions committee, particularly to ensure it continues to meet all regulatory and statutory requirements. Where there is significant change to the Statement the pensions committee will consult relevant stakeholders, particularly the Pension Board, prior to amending the policy.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
May 2022**

Governance Compliance Statement

Introduction

Under Regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended) an Administering Authority must, after consultation with such persons as it considers appropriate, prepare, publish and maintain a Governance Compliance Statement.

This statement is required to set out:

- (a) whether the Administering Authority delegates its function or part of its function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the administering authority;
- (b) if the authority does so:-
 - 1 the terms, structure and operational procedures of the delegation,
 - 2 the frequency of any committee or sub-committee meetings,
 - 3 whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

The statement must be revised and published by the Administering Authority following a material change in their policy on any of the matters referred to above.

Delegation of management of Pension Fund

All decision making responsibility of Somerset County Council as administering authority of the Somerset County Council Pension Fund is delegated to the Pensions Committee. The operation of the Pensions Committee is governed by the following Terms of Reference.

**PENSION COMMITTEE OF THE SOMERSET COUNTY COUNCIL
PENSION FUND**

TERMS OF REFERENCE

1. Introduction

- 1.1 This document sets out the terms of reference of the Pensions Committee of Somerset County Council. The Pensions Committee is a committee with delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.
- 1.2 The terms of reference will be formally approved by the Council as the Administering Authority and by the Committee itself thereafter.
- 1.3 These terms of reference shall be reviewed by the Council on the advice of the Committee and on an annual basis to ensure that they remain fit for purpose and in accordance with any regulations and guidance issued by the Secretary of State. Any revisions will be agreed by the Council and by the Committee.

2. Definitions

- the Fund - Somerset County Council Pension Fund.
- the Committee – The Pensions Committee of Somerset County Council.
- the Pensions Board – The Pensions Board of Somerset County Council.
- LGPS – The Local Government Pension Scheme

3. Purpose and functions of the Committee

- 3.1 The Committee discharges the functions of the Council in its role as the administering authority of the Somerset County Council Pension Fund as defined in the LGPS Regulations.

3.2 The Committee's principal duties are:

- (i) Ensure the fund is run in line with all relevant law, statutory guidance and industry codes of best practice.
- (ii) Ensure all contributions due are collected from employers.
- (iii) Ensure that all benefits due are paid correctly and in a timely manner.
- (iv) Decide the aims of the investment policy.
- (v) Make arrangements for managing the fund's investments.
- (vi) Regularly monitor investment performance.
- (vii) Make arrangements to publish the fund's annual report and accounts.
- (viii) Consult stakeholders, and publish the funding strategy statement, statement of investment principles and other policies and documents as necessary.
- (ix) Order actuarial valuations to be carried out in line with the Local Government Pension Scheme Regulations.
- (x) Consider requests from organisations who want to join the fund as admitted bodies and consider any requests to change the terms of an existing admission agreement.
- (xi) Make representations to the Government about any planned changes to the Local Government Pension Scheme and all aspects of managing benefits.

4. Membership of the Committee

4.1 The Committee shall consist of 8 members and be constituted as follows:

(a) Seven employer representatives

- (i) Four employer representative will be county councillors who are not a member of the Pension Board or Cabinet and will be selected by the Administering Authority having taken account of their relevant experience and their knowledge and understanding of the Local Government Pension Scheme;
- (ii) One employer representative of the 5 district councils that are members of the Fund to be selected by the district councils collectively having taken account of their relevant experience and their knowledge and understanding of the Local Government Pension Scheme;
- (iii) One employer representative of the Police and Crime Commissioner for Avon & Somerset to be selected by the Police and Crime Commissioner having taken account of their relevant experience and their knowledge and understanding of the Local Government Pension Scheme;
- (iv) one employer representative to be nominated by the remaining employers within the Fund who are not represented by (i)-(iii) above having demonstrated their relevant experience, their capacity to represent other scheme employers and their knowledge and understanding of the LGPS. In the event of there being more than one nomination, the Administering Authority will arrange for a voting process of the qualifying employers.

(b) One scheme member representative:

- (i) To be nominated by the Unions.

4.2 The Chair will be appointed annually by the Council as Administering Authority.

4.3 Due to the specialist knowledge requirements of Committee members, substitutes to the appointed members of the Committee are not permitted.

4.4 The committee will also be attended by:

- an officer; and
- a specialist independent adviser. In this respect the term independent means:
 - (i) having no current employment, contractual, financial or other material interest in either Somerset County Council or any scheme employer in the Fund; and
 - (ii) not being a member of the LGPS in the Fund.

The independent advisor will be a remunerated position.

5. Responsibilities of the Chair

5.1 The Chair is responsible for:

- (a) ensuring the Board delivers its purpose as set out in the Committee's terms of reference;
- (b) the arrangements for meetings of the Committee;
- (c) ensuring that Committee meetings are productive and effective and that opportunity is provided for the views of all Committee members to be expressed and considered; and
- (d) seeking to achieve the consensus of all Committee members on the business presented to the Committee and ensure that decisions are properly put to a vote when that cannot be reached.

6. Conflicts of interest

6.1 All members of the Committee must declare on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Committee.

6.2 On appointment to the Committee and following any subsequent declaration of potential conflict the conflict must be managed in line with the, the internal procedures of Somerset County Council, the requirements of the Public Service Pensions Act 2013 and the requirements of the Pensions Regulator's codes of practice on conflict of interest for Committee members.

6.3 The Council's Monitoring Officer shall include interests registered by all members of the Committee in the published Members' and Co-opted Members' Register of Interests. All such interests are to be registered with the Monitoring Officer within 28 days of appointment to the Committee.

7. Knowledge and understanding including training

- 7.1 All new members must follow an induction training plan and all members of the Committee will be expected to attend the training provided to ensure that they have the requisite knowledge and understanding to fulfil their role.
- 7.2 The Committee has adopted a training policy and all members of the Committee are expected to meet the requirements of that policy.
- 7.3 Failure to attend training or participate in the processes referred to above may lead to removal from the Board.

8. Term of office and removal from office

- 8.1 The members of the Committee serve for a four year term, subject to the following:
- (a) the representatives of the administering authority shall be appointed annually by the Somerset County Council Annual Council Meeting, but with a view to maintaining stability of membership;
 - (b) the representatives of the district councils and the Police and Crime Commissioner for Avon and Somerset can be replaced by the relevant appointing group at their behest, but with a view to maintaining stability of membership;
 - (c) the members' representative may be replaced by the Unions, but with a view to maintaining stability of membership.
- 8.2 Members of the Committee will be expected to attend all meetings and training sessions. This will be recorded and published.
- 8.3 Other than by ceasing to be eligible for appointment to the Committee, Committee members may only be removed from office during their term of appointment by the unanimous agreement of all of the other members of the Committee at a meeting of the Committee where this is specified as an agenda item or with the agreement of the Council at a Full Council meeting.
- 8.4 Arrangements shall be made for the replacement of Committee members in line with the procedures for their original appointment.

9. Meetings

- 9.1 The frequency of meetings is to be determined by the Committee once it has agreed a workplan, with a minimum of four meetings annually. In addition to this, training sessions will be held as necessary to ensure that Committee members have sufficient knowledge and skills to undertake the role.
- 9.2 The Chair of the Committee may call additional meetings with the consent of other members of the Committee. Urgent business of the Committee between meetings may, in exceptional circumstances, be conducted via communications between members of the Committee including telephone conferencing and emails.
- 9.3 The Committee will meet at the Council's main offices, or another location to be agreed by the Chair. Meetings will be held during normal working hours at times to be agreed by the Chair.
- 9.4 As a committee of the Council, the Rules of Procedure in Section 6 of the Council's constitution apply to meetings of the Committee. Committee meetings will be held in open session with closed sessions where appropriate. The agenda papers will be circulated to members of the Committee and published in advance of meeting in line with Council policy. The minutes of meetings will be recorded and published in line with Council policy.

10. Quorum

- 10.1 The quorum of the Board shall be 3 elected members.

11. Voting rights

- 11.1 Each of the 8 members of the committee will have voting rights. In the event of a tied vote the Chair has the option of having a final casting vote.

12. Code of Conduct

- 12.1 All members of the Board will be required to formally sign up to comply with the Somerset County Council Code of Conduct set out at Part 2, Section C of the Council's constitution.

13. Allowances and Expenses

- 13.1 Any councillor of the Council appointed to the Committee will be entitled to receive allowances in accordance with Part 2, Section D of the Council's constitution (Scheme of Members' Allowances).
- 13.2 Reimbursement of expenses for all members of the Committee will be claimable in line with Somerset County Council's agreed expenses rates.

14. Budget

- 14.1 All costs arising from accommodation and administrative support to conduct its meetings and other business, and the training needs of the Committee will be met by the Fund.
- 14.2 The Council's Community Governance Team will provide the secretariat services to the Committee, the cost of which will be met by the Fund.

15. Accountability and reporting

- 15.1 The Committee is accountable solely to the County Council for the effective operation of its functions.
- 15.3 The Committee shall report annually to Full Council on its work.

16. Data protection and Freedom of Information

- 16.1 For legal purposes the Committee is considered a committee of and part of the administering authority legal entity. Therefore the Committee must comply with the Council's Data Protection and Freedom of Information policies.

Compliance with the guidance

The extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying are covered in the following tables.

Statutory Guidance Governance Standards and Principles	Our compliance status	Evidence of compliance and justification for non-compliance
A – Structure		
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	Somerset County Council has established the Somerset County Council Pensions Committee for this purpose. The specific terms of reference for the Committee are set within the fund's Governance Policy Statement.
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	The Pensions Committee includes representation of all the participating employers. Scheme Members (active, pensioner and deferred) are represented through a Unison nominated representative on the Pensions Committee.
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Applicable	There are no secondary committees or panels in place.
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Applicable	There are no secondary committees or panels in place.

B – Representation		
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:		
i) employing authorities (including non-scheme employers, e.g., admitted bodies);	Compliant	The Pensions Committee includes representation of all the scheme employers, including the County Council, District Councils, the Police and the Admitted Bodies.
ii) scheme members (including deferred and pensioner scheme members);	Compliant	Scheme Members (active, pensioner and deferred) are represented through a Unison nominated representative on the Pensions Committee.
iii) where appropriate, independent professional observers;	Compliant	The independent investment advisor attends all Pensions Committee Meetings.
iv) expert advisors (on an ad-hoc basis).	Compliant	Our in-house officer expert advisors attend all Pension Committee meetings, including the Chief Financial Officer, investments manager and fund administration manager. The appointed actuary, external auditors and performance advisors also attend on an ad-hoc basis at least once per annum.

<p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	<p>Compliant</p>	<p>All members of the Pensions Committee receive equal access to the papers and training and have equal speaking rights in the consideration and discussion of all matters as part of the decision making processes.</p>
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C – Role of members

<p>a) That Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p>	<p>Compliant</p>	<p>All new members receive regular specific training and access to external training and seminars.</p> <p>On appointment this includes specific time with lead officers to provide an induction into the role and a background to the Fund. Copies of relevant Committee Reports and Annual Reports are also made available.</p> <p>Specific Terms of Reference are also in place as part of the Fund's Governance Policy Statement and specific legal guidance as to the role of Members has been provided to the Committee by the County Council Monitoring Officer.</p> <p>All Committee Members also understand that they are not there to represent or promote their own personal or political interests, and that they must declare any self-interest or conflicts of interest of a financial or non-financial nature and abstain from participation in that item on the agenda if appropriate.</p>
<p>b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>	<p>Compliant</p>	<p>Since the inauguration of the Pension Committee the declaration of interests by members has been a standing item on the agenda.</p>

D – Voting		
a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	All members of the Pensions Committee have full voting rights.
E – Training, facility time and expenses		
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	<p>A formal training policy for members has been adopted by the Pensions Committee.</p> <p>The Committee forward work plan provides for specifically tailored training days, together with access to, and support for, external training provision and attendance at appropriate seminars.</p> <p>All members are encouraged to undertake regular training including attendance at the specific training days.</p> <p>All costs in relation to training, including expenses are met from, and reimbursed by, the Pension Fund as appropriate.</p>
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	All Pensions Committee members have equal access and rights to training and related support.

c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken	Compliant	A training policy has been adopted by the Pensions Committee under which attendance at Committee meetings and training undertaken will be reported annually.
F – Meetings (frequency/quorum)		
a) That an administering authority's main committee or committees meet at least quarterly.	Compliant	The Pensions Committee meets on a quarterly basis and forward dates have been agreed for at least twelve months in advance. A forward meeting plan is also in place
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not Applicable	There are no secondary committees or panels in place.
c) That an administering authorities who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant	The Pensions Committee does include lay members and this allows for the representation of all key stakeholders.

G – Access		
a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	All members of the Pensions Committee receive the same agenda and papers containing advice for each meeting. All our Pensions Committee members can ask questions of our professional advisors who attend the Pensions Committee meetings.
H – Scope		
a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Compliant	<p>Each meeting of the Pensions Committee receives a report on the performance of our pension fund, progress against the Forward Business Plan and key issues in respect of benefits administration.</p> <p>The Committee also receives regular reports and updates on approved policies including the communications policy statements.</p> <p>There are also annual reports from the appointed actuary, external auditor and performance advisors.</p>

I – Publicity

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Compliant

The Governance Arrangements of the Pensions Committee are formally reviewed every four years as part of the Forward Business Plan.

There are procedures in place for the re-appointment of individuals to the Pensions Committee at least every four years.

All of the policies adopted by the Pensions Committee on behalf of the administering authority including the Statement of Investment Principles, Funding Strategy Statement, Governance Policy Statement and Communications Policy Statement are published annually in the Fund's annual report and financial statement and are available on the County Council's website. All of the policies and the annual report are available in hard or electronic copy on request.

Local Pensions Board

The operations of the local pension board established under regulation 53(4) (Scheme managers) is governed by the Following Terms of Reference.

PENSION BOARD OF THE SOMERSET COUNTY COUNCIL PENSION FUND

TERMS OF REFERENCE

1. Introduction

- 1.4 This document sets out the terms of reference of the Pension Board of Somerset County Council. The Pension Board is established under Section 5 of the Public Service Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.5 The Board is established by Somerset County Council in its capacity as the Administering Authority of the Somerset County Council Pension Fund and operates independently of the Pensions Committee.
- 1.6 The terms of reference will be formally approved by the Council as the Administering Authority and by the Board itself at its first meeting.
- 1.7 These terms of reference shall be reviewed by the Council on the advice of the Board and on an annual basis to ensure that they remain fit for purpose and in accordance with any regulations and guidance issued by the Secretary of State. Any revisions will be agreed by the Council and by the Board.

2. Definitions

- the Fund - Somerset County Council Pension Fund.
- the Board – The Pensions Board of Somerset County Council.
- the Pensions Committee – The Pensions Committee of Somerset County Council.
- LGPS – The Local Government Pension Scheme

3. Purpose and functions of the Board

3.1 The regulations state that the role of the Board is to assist the Administration Authority to:

- (a) secure compliance with:
- the LGPS Regulations;
 - any other legislation relating to the governance and administration of the LGPS; and
 - the requirements imposed by the Pensions Regulator in relation to the LGPS, and
- (b) ensure the effective and efficient governance and administration of the LGPS.

3.2 The Board will assist the Administering Authority by making recommendations about compliance, process and governance. The Board does not have a decision making role with regard to strategy or policy and can only challenge decisions made by the Pensions Committee where the Board considers a decision to be in breach of the relevant Regulations (or overriding legislation). The Board's role is to have oversight of the governance process for making decisions and agreeing policy.

3.3 In discharging its role, the Board's remit shall cover all aspects of governance and administration of the LGPS, including funding and investments. The Board must have regard to advice issued by the Scheme Advisory Board in accordance with section 7(3) of the Public Service Pensions Act 2013.

- 3.4 The Board will exercise its duties in the following areas:
- (a) monitor compliance with the relevant legislation and Codes of Practice set by The Pensions Regulator;
 - (b) review and ensure compliance of the Fund's:
 - (i) governance compliance statement
 - (ii) funding strategy statement
 - (iii) pension administration strategy statement
 - (iv) discretionary policy statement
 - (v) communications policy statement
 - (vi) statement of investment principles
 - (vii) annual report and accounts
 - (c) review and scrutinise the performance of the Fund in relation to its governance and administration, policy objectives and performance targets;
 - (d) ensure policies and processes are in place so that employers comply with their obligations under the regulations;
 - (e) review the processes for setting strategy, policy and decision-making and ensure they are robust;
 - (f) agree the annual internal audit plan for the Fund;
 - (g) consider the output of any internal audit work carried out on the Fund;
 - (h) consider the external audit report on the Fund's Annual Report and Statement of Accounts;
 - (i) review the Fund's risk register;
 - (j) monitor the Fund's Internal Dispute Resolution Procedures;
 - (k) from time to time the administering authority may consult the Board or ask assistance on specific issues.
- 3.5 Under Regulation 106(8) the Board has the general power to do anything which is calculated to facilitate or is conducive or incidental to, the discharge of its functions.
- 3.6 The Board must always act within its Terms of Reference.

4. Membership of the Board

4.1 The Board shall consist of 6 members and be constituted as follows:

(a) Three employer representatives

- (i) one employer representative will be a county councillor who is not a member of the Pension Committee and will be selected by the Administering Authority having taken account of their relevant experience, their capacity to represent other scheme employers and their knowledge and understanding of the Local Government Pension Scheme;
- (ii) two employer representatives to be nominated by the employers having demonstrated their capacity to represent other scheme employers, their relevant experience and their knowledge and understanding of the LGPS. In the event of there being more than one nomination, the Administering Authority will carry out a selection process.

(b) Three scheme member representatives

- i) two members representatives will be nominated by the recognised trade unions having demonstrated their capacity to represent other scheme employers, their relevant experience and their knowledge and understanding of the LGPS;
- ii) one members representative will be open to all scheme members. The administering authority shall contact scheme members advising them of the role and seeking nominations and asking them to demonstrate their capacity to represent other scheme members, their relevant experience and their knowledge and understanding of the LGPS. In the event of there being more than one nomination, the Administering Authority will carry out a selection process.

4.2 Due to the specialist knowledge requirements of Board members, substitutes to the appointed members of the Board are not permitted.

5. Responsibilities of the Chair

5.1 The Chair is responsible for:

- (e) ensuring the Board delivers its purpose as set out in the Board's terms of reference;
- (f) the arrangements for meetings of the Board;
- (g) ensuring that Board meetings are productive and effective and that opportunity is provided for the views of all Board members to be expressed and considered;
- (h) seeking to achieve the consensus of all Board members on the business presented to the Board and ensure that decisions are properly put to a vote when that cannot be reached.

5.2 The Chair will be appointed annually by Board. The Chair will be rotated around the 6 members of the Board.

6. Conflicts of interest

6.1 All members of the Board must declare on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Board.

6.2 On appointment to the Board and following any subsequent declaration of potential conflict the conflict must be managed in line with the Board's policy on conflicts of interest, the internal procedures of Somerset County Council, the requirements of the Public Service Pensions Act 2013 and the requirements of the Pensions Regulator's codes of practice on conflict of interest for Board members.

6.3 The Council's Monitoring Officer shall include interests registered by all members of the Board in the published Members' and Co-opted Members' Register of Interests. All such interests are to be registered with the Monitoring Officer within 28 days of appointment to the Board.

7. Knowledge and understanding including training

- 7.1 All new members must follow an induction training plan and all members of the Board will be expected to attend the training provided to ensure that they have the requisite knowledge and understanding to fulfil their role.
- 7.2 All members must be prepared to participate in such regular personal training needs analysis or other processes as are put in place to ensure that they maintain the required level of knowledge and understanding to carry out their role.
- 7.3 Failure to attend training or participate in the processes referred to above may lead to removal from the Board.

8. Term of office and removal from office

- 8.1 The members of the Board serve for a four year term, subject to the following:
 - (a) the representatives of the administering authority shall be appointed annually by the Somerset County Council Annual Council Meeting, but with a view to maintaining stability of membership;
 - (b) the two union nominated member representatives can be amended at any time by the unions, but with a view to maintaining stability of membership.
- 8.2 Members of the Board will be expected to attend all meetings and training sessions. This will be recorded and published. The membership of any member who fails to attend for two consecutive meetings or two consecutive training events shall be reviewed by the Board and shall be terminated in the absence of mitigating factors

- 8.3 Subject to 8.4 below, a Board member can be removed from the Board in the following circumstances (but not limited to):
- (a) A poor attendance record;
 - (b) if a member does not undertake training as requested by the administering authority;
 - (c) if a member is In breach of Council's Code of Conduct / Declarations policy;
 - (d) if a member has a conflict of interest that cannot be managed in accordance with the Board's conflicts policy;
 - (e) if a representative member ceases to represent his constituency e.g. leaves the employer so no longer has the capacity to represent the Fund's employers.
- 8.4 Other than by ceasing to be eligible for appointment to the Board, Board members may only be removed from office during their term of appointment by the unanimous agreement of all of the other members of the Board at a meeting of the Board where this is specified as an agenda item or with the agreement of the Council at a Full Council meeting.
- 8.5 Arrangements shall be made for the replacement of Board members in line with the procedures for their original appointment.

9. Meetings

- 9.1 The frequency of meetings is to be determined by the Board once it has agreed a workplan, with a minimum of two meetings annually. In addition to this, training sessions will be held as necessary to ensure that Board members have sufficient knowledge and skills to undertake the role.
- 9.2 The Chair of the Board may call additional meetings with the consent of other members of the Board. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and emails.
- 9.3 The Board will meet at the Council's main offices, or another location to be agreed by the Chair. Meetings will be held during normal working hours at times to be agreed by the Chair.
- 9.4 As a committee of the Council, the Rules of Procedure in Section 6 of the Council's constitution apply to meetings of the Board. Board meetings will be held in open session with closed sessions where appropriate. The agenda papers will be circulated to members of the Board and published in advance of meeting in line with Council policy. The minutes of meetings will be recorded and published in line with Council policy.

10. Quorum

- 10.1 The quorum of the Board shall be 3 to include the Chair. The quorum must include one employer representative and one member representative.

11. Voting rights

- 11.1 Each of the 6 members of the committee will have voting rights. In the event of a tied vote the Chair has the option of having a final casting vote.

12. Code of Conduct

- 12.1 All members of the Board will be required to formally sign up to comply with the Somerset County Council Code of Conduct set out at Part 2, Section C of the Council's constitution.

13. Allowances and Expenses

- 13.1 Any councillor of the Council appointed to the Board will be entitled to receive allowances in accordance with Part 2, Section D of the Council's constitution (Scheme of Members' Allowances).
- 13.2 Reimbursement of expenses for all members of the Board will be claimable in line with Somerset County Council's agreed expenses rates.

14. Budget

- 14.1 All costs arising from accommodation and administrative support to conduct its meetings and other business, and the training needs of the Board will be met by the Fund.
- 14.2 The Council's Community Governance Team will provide the secretariat services to the Board, the cost of which will be met by the Fund.
- 14.3 The Board will have open access to all officers involved in the running of the Fund and any advisors already employed by the Fund (e.g. the Fund's Actuary).
- 14.4 The Board may make requests to the Section 151 Officer to approve any additional expenditure required to fulfil its obligations which will then be charged to the Fund. This would include any officer resources not already employed by the Fund.

15. Accountability and reporting

- 15.1 The Board is accountable solely to the County Council for the effective operation of its functions.
- 15.2 The Board shall report to the Pensions Committee as often as the Board deems necessary and at least annually on:
- (a) a summary of the work undertaken;
 - (b) the work plan for the next 12 months;
 - (c) areas raised to the Board to be investigated and how they were dealt with;
 - (d) any risks or other areas of potential concern it wishes to raise;
 - (e) details of training received and planned; and
 - (f) details of any conflicts of interest and how they were dealt with.
- 15.3 The Board shall report annually to Full Council on its work. It will also and as necessary from time to time report to Full Council any breach in compliance, or other significant issue, which has not been resolved to the satisfaction of the Board within a reasonable time of being reported to the Pensions Committee.
- 15.4 The Board shall report to the Scheme Advisory Board:
- (a) any areas of persistent non-compliance;
 - (b) any areas of non-compliance with the LGPS Regulations that have been reported to the Pensions Committee and full council but persist to be of a material concern.
- 15.5 The Board shall report to the Pensions Regulator all material breaches of the Pensions Regulator regulatory guidance, following notification to full council and the Pensions Committee.

16. Data protection and Freedom of Information

- 16.1 For legal purposes the Board is considered a committee of and part of the administering authority legal entity. Therefore the Board must comply with the Council's Data Protection and Freedom of Information policies.

Arrangements for reviewing this policy

This policy statement will be regularly reviewed by the pensions committee. If we need to make any significant changes, we will consult all employers whose employees are members of the fund and publish the amended policy.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
May 2022**

Pensions Committee Scheme of Delegation

Introduction

In order to meet its obligations from time to time the Pensions Committee will find it necessary to delegate certain functions to officers. This document provides a clear framework around standard operating functions as to what decisions and operations have been delegated to officers and what has been retained by the Committee.

All references in this document to the Chief Financial Officer means the most senior finance officer and appointed Section 151 Officer of Somerset County Council, it does not refer to a job title for that individual. Where committee delegates tasks to the Chief Financial Officer they are then free to assign tasks to other officers at their discretion.

In practice the majority of tasks relating to benefits administration are delegated to Peninsula Pensions, a shared administration team with Devon County Council, and the majority of investment decisions are delegated to the internal Investments team.

When delegating the Chief Financial Officer must ensure that the officers undertaking the delegated tasks have sufficient knowledge and experience to undertake those tasks.

This scheme of delegation will refer in turn to each of the main responsibilities of the Committee as laid out in the Committee's terms of reference.

Ensure the fund is run in line with all relevant law, statutory guidance and industry codes of best practice.

The Chief Financial Officer is responsible for ensuring the legal operation of the fund and will bring matters of significance to the attention of the Committee.

The Chief Financial Officer will make arrangements for the completion of all necessary regulatory documents, statistical returns, tax documents and other documents as appropriate.

Ensure all contributions due are collected from employers.

The Chief Financial Officer will maintain procedures to ensure relevant employers pay contributions and that these contributions meet the requirements set by the fund's actuary.

Where relevant the Chief Financial Officer will decide if interest should be levied for late payment as permitted by the regulations.

Ensure that all benefits due are paid correctly and in a timely manner.

The Chief Financial Officer will maintain procedures to ensure the correct calculation and payment of benefits by the fund.

Decide the aims of the investment policy.

Committee agree the aims of the investment policy and publish this in the form of the funding strategy statement and investment strategy statement having regard to advice provided by officers and advisors as appropriate.

As part of agreeing the strategy the Committee will agree the Fund's strategic asset allocation and the investment mandates necessary to deliver the strategy. The Chief Financial Officer will make all necessary arrangements for the implementation of the agreed strategy.

Make arrangements for managing the fund's investments.

The strategic asset allocation of the fund is set by the Committee. Once agreed by Committee the Chief Financial Officer is responsible for the implementation of the strategy and monitoring of the investment assets against the strategic asset allocation and periodically rebalancing of the fund to optimise the balancing of risk and return. All investment decisions regarding the precise timing and amounts of rebalancing are delegated to the Chief Financial Officer and there are no restrictions placed on this discretion. The Chief Financial Officer will report on all actions in this regard to the Committee at each formal meeting.

The Chief Financial Officer is responsible for the appointment of a global custodian for the fund, the management of this contract and any related investment decisions.

Where the Committee decide that assets will be managed in-house the Chief Financial Officer will make suitable arrangements for these assets in accordance with any guidelines provided by Committee. All investment decisions with respect to in-house managed funds are taken by officers.

The Chief Financial Officer is responsible for the day to day monitoring and recording of the investment assets.

Regularly monitor investment performance.

The Chief Financial Officer will put in place procedures for the calculation and monitoring of investment performance.

The Chief Financial Officer will review the performance of all fund managers and the fund as a whole monthly and officers will meet with external fund managers/the Brunel Pool regularly, typically quarterly, to discuss performance.

The Committee will review the performance of all fund managers and the fund as a whole quarterly.

Make arrangements to publish the fund's annual report and accounts.

The Chief Financial Officer will make arrangements for the production and audit of the fund's annual report and accounts. The Committee will adopt the completed annual report.

Consult stakeholders, and publish the funding strategy statement, investment strategy statement and other policies and documents as necessary.

The Chief Financial Officer will make arrangements for the drafting of all policies and statements and undertake consultations as applicable. The Committee will be responsible for approving all policies and statements after receiving feedback from any consultations undertaken and advice from officers and advisors as appropriate.

Order actuarial valuations to be carried out in line with the Local Government Pension Scheme Regulations.

The Chief Financial Officer will appoint a suitable actuary for the fund and undertake all necessary tasks and discussions with the actuary in order to allow the actuary to complete the valuation.

The Committee will meet with the actuary as they deem appropriate.

Consider requests from organisations who want to join the fund as admitted bodies and consider any requests to change the terms of an existing admission agreement.

The Chief Financial Officer will make all necessary arrangements for the consideration of requests for admitted body status and changes to any existing admission agreements including the negotiation and signing of the necessary admission agreements.

The Committee will receive an update at each formal meeting of all activity in this regard.

Make representations to the Government about any planned changes to the Local Government Pension Scheme and all aspects of managing benefits.

The Committee will instruct the Chief Financial Officer on what it wishes to be included in any representations, which they will then draft and send accordingly.

Contract Standing Orders

The Contract Standing Orders of Somerset County Council apply to the operation of the Somerset County Council Pension Fund, however the Contract Standing Orders contain the ability for the Pensions Committee to exempt the fund from clauses where it is deemed this is necessary by Pensions Committee. The following sections of Contract Standing Orders will not apply to Contracts relating to the Fund and will be replaced by the provisions given below.

General clarification:

Where Contract Standing Orders require authorisation or approval in accordance with the Council's Scheme of Delegation approval must be sought from the Chief Financial Officer, who will consult the Pensions Committee at their discretion.

Section 16.4, Section 22.8 & Section 23.7

Exempt in full. The pension fund does not use purchase orders.

Section 38.1

Table to be amended such that contract values over £250,000 to be approved by the Chief Financial Officer.

Section 39

Section to be amended to remove any reference to, or need for, a purchase order. Contracts to be signed by the Chief Finance Officer or Officers he specifically delegates this responsibility to.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
May 2022**

Pensions Committee Training Policy

Introduction

The 2004 Pensions Act requires that trustees of occupational pension schemes should be trained and have knowledge and understanding of the law relating to pensions and role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits. Members of the Pensions Committee are not legally trustees and are not bound by this law, however they should aspire to reach a similar standard.

Within the Local Government Pension Scheme (LGPS) the statutorily required Governance Compliance Statement requires the fund to compare its practice to the following statement:

“That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.”

Pension Committee members will be expected to undertake regular training to ensure they have sufficient knowledge of the LGPS, pension benefits and investment issues to make informed decisions for the benefit of all stakeholders.

CIPFA Knowledge and Skills Framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) in 2010 published a Pensions Finance Knowledge and Skills Framework and accompanying guidance for elected representatives, non-executives and officers.

The fund has formally adopted the framework, will assess all relevant individuals against the suggested standards of knowledge and ensure relevant training is made available.

An assessment of competence against the framework and training undertaken by relevant individuals will be provided in the fund's annual report as required by the framework.

Annual Training Commitment

Pension Committee members are encouraged to undertake training within the following guidelines:

Level 1 - New Pensions Committee members 1st year of office

New members should have 1-3 days training via:

- Receiving 1/2 day in-house induction training on the LGPS and its benefits, the membership and role of the Committee and the current investment structure of the fund.
- Reading the Pension Committee Members Handbook containing key documents such as the Fund Members guide, the Fund Annual Report and Financial Statement and background reading and knowledge building for 1/2 day.
- Attending at least one days external training on relevant topics.
- Attending the annual employers communications meeting.

Level 2 – Members 2nd and 3rd year of office

Should undergo 1 or 2 days a year personal training to build their knowledge and skills in specific topics in greater depth such as:

- Investing in specific asset classes
- Fund manager performance measurement
- SRI, corporate governance, and activism
- Actuarial valuation
- Fund accounting and taxation
- Third party pensions administration

Level 3 - Member serving longer than 3 years

Should seek to have at least 2 days a year of "updating and refreshment" personal training and/or more advanced training in specialist topics, on either fund investment or pensions administration.

The training undertaken by each member of the committee in each financial year will be reported annually in the fund's annual report and financial statement along with their attendance record at Committee Meetings.

Suitable Events

It is anticipated that at least 1 days annual training will be arranged and provided by officers to address specific training requirements to meet the Committee's forward business plan, all members will be encouraged to attend this event.

A number of specialist courses are run by bodies such as the Local Government Employers and existing fund manager partners, officers can provide details of these courses.

There are a number of suitable conferences run annually, officers will inform members of these conferences as details become available. Of particular relevance are the National Association of Pension Funds (NAPF) Local Authority Conference, usually held in May, the LGC Local Authority Conference, usually held in September, and the Local Authority Pension Fund Forum (LAPFF) annual conference, usually held in December.

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the fund.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
May 2022**

Pension Board Training Policy

Introduction

The 2004 Pensions Act requires that trustees of occupational pension schemes should be trained and have knowledge and understanding of the law relating to pensions and role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits.

As a result a member of the pension board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a pension board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.

These legal responsibilities begin from the date that Pension Board members take up their role on the Board and as such they should immediately start to familiarise themselves with the relevant documents and the law relating to pensions.

In accordance with the Act, the knowledge and understanding requirement applies to every individual member of a Local Pension Board rather than to the members of a Local Pension Board as a collective group.

Key Documents

In accordance with the LGPS statutory guidance on the creation and operation of Pension Boards the following is a suggested list of the documents that Pension Board members should make themselves familiar:

- Member booklets, announcements and other key member and employer communications, which describe the Fund's policies and procedures (including any separate AVC guides) including documents available on the Fund's website;
- Any relevant policies of the Administering Authority and/or Pension Committee, for example policies on:
 - conflicts of interests
 - record-keeping
 - data protection and freedom of information
 - internal dispute resolution procedure.
- The Administering Authority's governance compliance statement;
- The Administering Authority's funding strategy statement;
- The Administering Authority's pension administration statement;
- The Administering Authority's discretionary policy statement;
- The Administering Authority's communications policy statement;
- The Administering Authority's statement of investment principles;
- The Administering Authority's internal controls risk register;
- The Fund's actuarial valuation report and rates and adjustment certificate;
- The Fund's annual report and accounts;
- Any accounting requirements relevant to the Fund;
- Any third party contracts and service level agreements;
- Any internal control report produced by third party service providers and investment managers;
- The Fund's standard form of admission agreement and bond and related policies and guidance.

This list should be viewed as a suggestion and not a definitive list of all the relevant documents.

Wider Background Knowledge

In addition to the list of key documents the statutory guidance provides examples of the knowledge that is relevant to the role of Pension Board members. Again the list is not intended to be exhaustive. The examples are as follows:

Background and Understanding of the Legislative Framework of the LGPS

- Differences between public service pension schemes like the LGPS and private sector trust-based schemes;
- Role of the IPSPC and its recommendations;
- Key provisions of the 2013 Act;
- The structure of the LGPS and the main bodies involved including the Responsible Authority, the Administering Authority, the Scheme Advisory Board, the Local Pension Board and the LGPS employers;
- An overview of local authority law and how Administering Authorities are constituted and operate; and
- LGPS rules overview (including the Regulations, the Transitional Regulations and the Investment Regulations).

General pensions legislation applicable to the LGPS

An overview of wider legislation relevant to the LGPS including:

- Automatic Enrolment (Pensions Act 2008);
- Contracting out (Pension Schemes Act 1993);
- Data protection (Data Protection Act 1998);
- Employment legislation including anti-discrimination, equal treatment, family related leave and redundancy rights;
- Freedom of Information (Freedom of Information Act 2000);
- Pensions sharing on divorce (Welfare Reform and Pensions Act 1999);
- Tax (Finance Act 2004); and
- IORP Directive.

Role and responsibilities of the Local Pension Board

- Role of the Local Pension Board;
- Conduct and conflicts;
- Reporting of breaches;
- Knowledge and understanding; and
- Data protection.

Role and responsibilities of the Administering Authority

- Membership and eligibility;
- Benefits and the payment of benefits;
- Decisions and discretions;
- Disclosure of information;
- Record keeping;
- Internal controls;
- Internal dispute resolution;
- Reporting of breaches; and
- Statements, reports and accounts.

Funding and Investment

- Requirement for triennial and other valuations;
- Rates and adjustments certificate;
- Funding strategy statement;
- Bulk transfers;
- Permitted investments;
- Restrictions on investments;
- Statement of investment principles;
- CIPFA guidance;
- Appointment of investment managers; and
- Role of the custodian.

Role and responsibilities of Scheme Employers

- Explanation of different types of employers;
- Additional requirements for admission bodies;
- Automatic Enrolment;
- Deduction and payment of contributions;
- Special contributions;
- Employer decisions and discretions;
- Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006); and
- TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007).

Tax and Contracting Out

- Finance Act 2004
- Role of HMRC
- Registration
- Role of 'scheme administrator'
- Tax relief on contributions
- Taxation of benefits
- Annual and lifetime allowances
- Member protections
- National Insurance
- Contracting out (Pensions Scheme Act 1993)
- Impact of abolition of contracting out in 2016
- VAT and investments

Role of advisors and key persons

- Officers of the Administering Authority
- Fund actuary
- Auditor
- Lawyers
- Investment managers
- Custodians
- Administrators – in house v. third party
- Procurement of services
- Contracts with third parties

Key Bodies connected to the LGPS

An understanding of the roles and powers of:

- Courts
- Financial Services Authority
- HMRC
- Information Commissioner
- Pensions Advisory Service
- Pensions Ombudsman
- The Pensions Regulator (including powers in relation to Local Pension Boards)

Annual Training Commitment

Pension Committee members are encouraged to undertake training within the following guidelines:

Level 1 - New Pensions Committee members 1st year of office

New members should have 1-5 days training via:

- Receiving 1/2 day in-house induction training on the LGPS and its benefits, the membership and role of the Committee and the current investment structure of the fund.
- Reading the Pension Committee Members Handbook containing key documents such as the Fund Members guide, the Fund Annual Report and Financial Statement and background reading and knowledge building.
- Attending at least one day of training on relevant topics.
- Attending the annual employers communications meeting.

Level 2 – Members 2nd and 3rd year of office

Should undergo 1 or 2 days a year personal training to build their knowledge and skills in specific topics in greater depth

Level 3 - Member serving longer than 3 years

Should seek to have at least 2 days a year of "updating and refreshment" personal training and/or more advanced training in specialist topics, on either fund investment or pensions administration.

The training undertaken by each member of the Board in each financial year will be reported annually in the fund's annual report and financial statement along with their attendance record at Board Meetings.

Suitable Events

It is anticipated that at least 1 day of annual training will be arranged and provided by officers to address specific training requirements to meet the Board's requirements, all members will be encouraged to attend this event.

A number of specialist courses are run by bodies such as the Local Government Employers and existing fund manager partners, officers can provide details of these courses.

There are a number of suitable conferences run annually, officers will inform members of these conferences as details become available.

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the fund.

**Approved by the Pension Board
Somerset County Council Pension Fund
July 2015**

Communication policy statement

Introduction

Under the Local Government Pension Scheme Regulations 2013 [SI 2013/2356], each administering authority in England and Wales must prepare, maintain and publish a statement setting out their policy on communicating with members, members' representatives, future members and employers whose employees are members in the fund.

This document represents the communication policy based on good custom and practice that has developed over many years. This policy will be continually reviewed to make sure it provides for effective and efficient communication with the range of stakeholders in the Somerset County Council Pension Fund.

Peninsula Pensions is a shared service with Devon County Council and provides the administration of the LGPS on behalf of Somerset County Council Pension Fund. Communication may be from/with Peninsula Pensions or Somerset County Council as appropriate.

Scheme members

The fund will communicate with scheme members in the following ways.

- Peninsula Pensions issues statutory notifications to new scheme members on a monthly basis, including information about how to access a full scheme guide and other documents.
- Peninsula Pensions will issue annual benefit statements confirming the current value of benefits and estimated retirement benefits to all current scheme members and deferred members.
- Peninsula Pensions will send newsletters to current scheme members and pensioners once a year.
- Peninsula Pensions will run presentations for scheme members as and when requested by employers.
- Information about the scheme, including a full scheme guide, is available on the Peninsula Pensions website www.peninsulapensions.org.uk.
- Member self-service is available via the Peninsula Pensions website for current and deferred scheme members, allowing members to view their record, update their address and run simple estimates.

It is also important to recognise that not all individuals who are eligible to join the scheme will be aware of the benefits of being a member. The fund will on occasion contact people who are non-members to remind them of the benefits and the process for joining the scheme. Information about the scheme for prospective joiners is available on the Peninsula Pensions website.

Scheme employers

The employers whose employees are members of the Somerset County Council Pension Fund are key stakeholders. The fund needs to communicate with them effectively so we can build the partnerships needed to manage the scheme efficiently and effectively.

Communication provided will include:

- an annual meeting to give an update on the investment and administration of the fund, together with key developments affecting the LGPS (this will include details of the current actuarial position of the fund);
- a meeting twice a year for employers about administration;
- a quarterly e-zine covering updates and administrative matters;
- site visits to employers when requested;
- formal consultation on regulatory issues with employers;
- training seminars for employers; and
- employer forms and guides available on the Peninsula Pensions website.

Elected members

This includes communicating with the members of the pensions committee and the county council as administering authority.

- The pensions committee meeting is made up of elected members from both the county council and employing authorities. These meetings are open to all stakeholders and members of the public.
- The fund will provide specific technical training sessions.

Miscellaneous

The fund will communicate with a range of stakeholders in the following ways.

- The fund will issue an annual report and accounts to employing authorities, elected members and other interested stakeholders.
- The fund will review and maintain a funding strategy statement after consulting employing authorities.
- The fund will review and maintain the statement of investments principles after consulting employing authorities.
- Peninsula Pensions is working towards providing all communications electronically (including newsletters and annual benefit statements) and will contact all scheme members about this in due course. The option to continue to receive communications via post will remain available.

Arrangements for reviewing this policy

This policy statement will be regularly reviewed by the pensions committee. If we need to make any significant changes, we will consult all employers whose employees are members of the fund and publish the amended policy.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
May 2022**

Pension administration strategy

1. Introduction

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

The Devon County Council and Somerset County Council Administering Authorities, Investment and Pension Fund Committees and Pension Boards remain independent from each other with each Administering Authority retaining investment and governance responsibility for their respective pension fund.

Although not a statutory requirement, a Pension Administration Strategy (PAS) was introduced in April 2015, following approval by the Devon County Council and Somerset County Council Investment and Pension Fund Committees. Although there is a separate PAS in place for each Administering Authority, the content is identical in order to ensure that a fair and consistent approach is maintained for all stakeholders.

The legal context for this Strategy is [Regulation 59 of The Local Government Pension Scheme Regulations 2013](#) which permits Administering Authorities the opportunity to prepare and review a Pensions Administration Strategy. The PAS also has regard to [the Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations 2013](#) and [The Pension Regulator Public Sector Code of Practice 14](#).

The PAS sets out the performance standards and expectations of the Administering Authority and employers, defining clear roles and responsibilities, and aims to ensure the delivery of a high-quality service for all stakeholders.

The revision to the PAS, effective from April 2020, reflects the growth in membership and demands of scheme members and employers, changes to LGPS regulations and advances in technology.

The PAS is linked to the following statutory documents of the Administering Authority which are located within the Somerset County Council Pension Fund Annual Report, which can be found on the Somerset County Council website:

- Governance Policy and Compliance Statement
- Communications Strategy
- Funding Strategy Statement
- Investment Strategy Statement

Under no circumstances does the PAS override any provision or requirement of the LGPS regulations nor is it intended to replace the more extensive commentary provided by the Employers' Guide and associated documentation for day-to-day operations, which can be found within the employer's area of the Peninsula Pensions website.

2. Key Administration Strategy focus

This strategy formulates the administrative arrangements between the Administering Authority and employers. It recognises that employers and the Administering Authority have a shared role in delivering an efficient and effective pension service to scheme members and that this can only be achieved by co-operation and working together.

The strategy document sets out in detail how we will achieve our key focus points stated below:

- setting out the quality and performance standards required of the Administering Authority and employers;
- promoting good working relationships and improving efficiency between the Administering Authority and employers for the benefit of scheme members;
- enhancing the flow of data by having clear channels of communication in place, so that each stakeholder is fully aware of its role and responsibilities within this process; and
- providing a framework to enable administration costs relating to significant employer underperformance to be met directly by the employer responsible, as opposed to sharing the costs across all employers in the Pension Fund*.

(* [Regulation 70 of the 2013 LGPS Regulations](#) permits the recovery of additional costs from an employer where unsatisfactory performance levels have incurred additional costs to the Administering Authority)

An annual report will be issued by Peninsula Pensions to illustrate the extent to which the performance standards established under this strategy have been achieved and such other matters arising from the strategy as appropriate.

3. Record keeping

Record-keeping is a fundamental part of managing a scheme such as the LGPS. Administering Authorities and employers have a legal obligation to collate and maintain accurate data records.

Peninsula Pensions must be able to demonstrate that records are accurate and up to date, within the parameters of data protection legislation, in order to govern and administer the pension scheme efficiently and effectively for scheme members.

Employers (and their delegated payroll providers) are responsible for providing the core data required by the Administering Authority. Employers need to ensure that legal obligations regarding the provision of timely and accurate information to the scheme are met.

The Administering Authority has a legal duty to provide scheme members with accurate and timely information regarding their benefits. The use of electronic processes aides all parties to do this in a timely and efficient manner. A strong working partnership between the Administering Authority and employers is key in delivering a successful administration service. This document describes how the Administering Authority provides support to employers in meeting their responsibilities.

Peninsula Pensions will notify employers in advance of any proposed changes in systems, processes, legislation and data requirements and will provide sufficient time, support and guidance for employers to implement any changes.

Full details covering the processes for employers, including the procedures for the escalation of outstanding requests for information, can be found within the employer's section of our website.

If employers have concerns about the data required, they should contact Peninsula Pensions without delay. This will allow Peninsula Pensions to work with employers to resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

Where an employer does not actively engage with Peninsula Pensions to resolve issues and/or consistently fails to meet its responsibilities under the LGPS Regulations, the Administering Authority (or stakeholders such as the Pension Board) has a statutory duty to report any breach to The Pensions Regulator. Similarly, stakeholders (such as the Pension Board) may report Peninsula Pensions to The Pensions Regulator if it is believed that a breach has occurred in respect of its duty as scheme administrator.

If deemed to be materially significant, The Pensions Regulator has the authority to take prompt and effective action to investigate and correct the breach and its causes, and, where appropriate, to notify any members whose benefits have been affected.

The Pensions' Regulator may impose a penalty under section 10 of the Pensions Act 1995. At the time of creating the PAS, the maximum amount of a penalty in relation to a breach is £5,000 in the case of an individual and up to £50,000 in any other case.

Penalties may be imposed on any party who has legal requirements or responsibilities relating to the management or administration of the scheme, and anyone else who could be subject to any of The Pensions' Regulator's statutory powers of investigation and enforcement, such as employers and professional advisers.

The Pensions' Regulator's compliance and enforcement policy for public service sector schemes can be accessed via the following link:

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/compliance-policy-public-service-pension.ashx>

More information about the work of The Pensions Regulator can be found via the following link:

<https://www.thepensionsregulator.gov.uk/en>

4. Roles and Responsibilities

The key focus of the strategy set out in Section 2 will be achieved by:

- clearly defining the respective roles of employers and the Administering Authority
- setting clear and achievable standards of service levels for the functions carried out by employers and the Administering Authority
- setting out clear procedural guidance for the secure and effective exchange of information between employers and the Administering Authority
- monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- continuous development of resources via the use of digital technology and staff training for both the Administering Authority and employers
- applying charges where an employer consistently fails to meet deadlines to ensure the resulting additional administrative strain is not a burden on all employers.

The Employer's Roles and Responsibilities

The key responsibilities for the employer are to:

- communicate the LGPS to eligible staff
- ensure the correct level of monthly pension contributions are collected and paid by the 7th of the following month, and no later than the 19th
- report information and data to the Peninsula Pensions as set out in this Strategy
- keep up to date with Peninsula Pension Communications
- provide a prompt response to information requests

The Administering Authority's Roles and Responsibilities

The key responsibilities for the Administering Authority are to:

- administer the LGPS in respect of all scheme members (Active, Deferred and Pensioner members) in accordance with this Strategy
- maintain and review the Pension Fund's Statements, Policies and Reports and all other matters relating to the Governance of the scheme
- communicate and engage with employers on LGPS matters
- provide support/training to employers
- maintain and develop an effective web presence for the benefit of members and employers

A guide to the roles and responsibilities of employers and the Administering Authority are set out in Appendix A. The guides include a summary of duties, defining the main functions, which will facilitate the delivery of an efficient, accurate and high-quality pension service to scheme members.

Failure to comply with any of the duties listed in Appendix A will be considered as a reportable breach. The ultimate aim is to work together to ensure that any issues of concern are addressed before an issue reaches a breach status. Any affected party will be given sufficient warning and the opportunity to address any outstanding issues before a breach is recorded.

Any breaches of duty will be recorded on our breaches register, which will be reviewed by the Pension Board on a quarterly basis. Individual breaches will be reported to The Pensions Regulator as required.

5. Performance Monitoring

The strategy recognises that there is a shared responsibility for ensuring compliance with the LGPS regulations and the PAS. Below we have set out the ways in which performance and compliance will be monitored;

- the Administering Authority and employers must aim to ensure that all functions and tasks are carried out to the agreed quality standards set out in this Strategy
- the Administering Authority will regularly monitor, measure and report on compliance with the agreed service standards outlined in this document
- the Administering Authority will undertake a formal review of performance against this Strategy on an annual basis and liaise with employers in relation to any concerns on performance
- the Administering Authority monitors its own performance against internal key performance indicators and the Disclosure Regulations 2013. Formal monitoring is carried out on a monthly basis, and is reported to the Pension Board on a quarterly basis
- the performance of employers against the standards set out in this document will be reported to the Pensions Committee and Pension Board, as appropriate, and will include data quality
- the Administering Authority will also regularly report to employers regarding individual performance, identifying any areas for improvement including outstanding data items

Underperformance Fees

The LGPS regulations provide Administering Authorities with the authority to recover any administration costs incurred as a result of the underperformance of an employer, from the employer responsible for the underperformance.

To date the Administering Authority has not recovered these additional costs and has taken the decision to work with employers to improve service delivery. However, we reserve the right to pass on these costs to the employer concerned, as opposed to sharing such costs across all employers.

From April 2020 Peninsula Pensions will monitor any additional costs incurred in the administration of the scheme as a direct result of underperformance, with a view to recovering these costs from the responsible employer.

Where areas of underperformance are identified, and an employer fails to make improvements and/or is unwilling to engage with Peninsula Pensions to resolve performance issues, Peninsula Pensions will:

- write to the employer, setting out area(s) of non-compliance with performance standards, offer support and, where applicable, request attendance at a training/coaching session.
- where the underperformance is in respect of an Admitted Body, the originating employer will be informed and will be expected to work with Peninsula Pensions to resolve the issue(s).

If no improvement is seen within one month or the employer is unwilling to attend a meeting to resolve the issue, Peninsula Pensions will issue a formal written notice, setting out:

- the area(s) of non-compliance that have been identified
- the steps taken to resolve those area(s)
- how the underperformance has contributed to the additional costs of administration and the amount of the additional cost incurred
- provide notice that the additional costs incurred by Peninsula Pensions as a direct result of the employer's poor performance will now be reclaimed

A breaches report will be presented to the Pension Board on a quarterly basis. This report will include the nature of the breach, the party responsible for the breach and details of any action taken to address the breach. The report will also include a recommendation for the Board to consider whether a breach is significant enough to warrant reporting to The Pensions Regulator.

In the event of a levy being issued to the Administering Authority by The Pensions Regulator, the levy will be passed on to the relevant employer where it can be demonstrated that the employer's action or inaction are responsible for the levy. Any disagreement regarding the amount of the levy will be decided by the Secretary of State who will have regard to:

- the provisions of the pension administration strategy that are relevant to the case, and
- the extent to which the Administering Authority and the employer have complied with those provisions in carrying out their functions under these regulations.

Interest on late payments

In accordance with LGPS regulations, interest will be charged on any outstanding amount overdue from an employer by more than one month. Interest will be calculated at 1% above the base rate on a day-to-day basis from the payment due date and will be compounded with three-monthly rests.

The employer will be reported to The Pensions Regulator where contributions are received late in accordance with The Pensions Regulator Code of Practice.

Feedback from Employers

Peninsula Pensions is also accountable for its performance and we welcome feedback from our employers regarding the performance against the standards in this administration strategy, as set out in Appendix A.

Comments should be sent to peninsulaemployers@devon.gov.uk or to the Employer and Communications Manager. Any feedback received will be incorporated into the quarterly reports provided to the Pension Board.

Employers are also entitled to raise any performance related issues direct to the Pension Board, via one of the Board's Employer Representatives.

6.Liaison and Communication

The delivery of a high quality, cost-effective administration service is not only the responsibility of the Administering Authority but it also depends on the Administering Authority working with a number of individuals in different organisations to ensure that members and other interested parties receive the appropriate level of service and that statutory requirements are met.

Peninsula Pensions has a dedicated Employer & Communications Team who will work with employers to ensure they are equipped to meet their responsibilities in line with the LGPS Regulations.

Every employer will have access to a dedicated Member Services Team who will assist employers with queries relating to individual members.

Each employer will designate a named individual(s) to act as a Pension Liaison Officer, who will serve as the primary contact regarding any aspect of administering the LGPS. The Pension Liaison Officer(s) will be provided with a username and password to access the employer section of the Peninsula Pensions website

Peninsula Pensions will employ a multi-channel approach in liaising and communicating with employers to ensure that all requirements are consistently met.

The various channels of communication are set out below:

1. The Peninsula Pensions website is the main communication tool for both employers and scheme members.
 - Employers – a dedicated and secure employer section where employers can access procedure guides, information on courses run by the Fund, access back copies of the Pensions Line, access Employer Self Service and Interface information. All employers are required to provide data through the Employer Self Service Portal and/or Interfaces.
 - Scheme members – access to up-to-date information about all aspects of the LGPS and the Member Self Service area where members can update personal details, review annual benefit statements, complete their own pensions estimates and access online tutorials.
 - Contact Details – Peninsula Pension staff roles and contact information are available on the website, together with contact details for the Pensions Committee and Pension Board.
2. Scheme members who have chosen to opt out of the Member Self Service will continue to receive statutory communication by post. They will still be able to access up-to-date information about all aspects of the LGPS via our website.
3. Periodic newsletters are issued to scheme members and all employing authorities and published on the Peninsula Pensions website.
4. Induction and pre-retirement workshops undertaken upon request to develop both employer and scheme member understanding (minimum of attendees 10 required per workshop).
5. Pension surgeries held for scheme members upon employer request to resolve any individual or collective issues that members may have.
6. Regular E-zine sent directly to employer representatives to provide notification of any scheme / administrative updates and developments.
7. Employer seminars and training groups held at least annually to review scheme developments, and/or to resolve any training needs that employers may have.
8. Annual Consultative Meeting held to review investment and administrative performance during the preceding 12 months, and to consider future plans and challenges.
9. Employer representatives are responsible for ensuring that information supplied by Peninsula Pensions is communicated to scheme members within their organisation, such as scheme guides and factsheets.

For further information regarding our methods of communication, please see our Communications Policy which is located within the Statutory Statements section of our website:

<https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/>

Note: Peninsula Pensions are not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. This responsibility rests with the employer.

Payroll providers: For employers who have delegated the responsibility to a payroll provider, for the provision of information direct to Peninsula Pensions, a delegation form will need to be completed confirming the areas for which they are permitted to act on your behalf. If information received from the payroll provider results in incorrect information being issued or incorrect benefits being paid to scheme members, the responsibilities under the Local Government Pension Regulations lie with the employer.

7. Actuarial work

The Administering Authority will appoint an actuary, who will conduct a valuation of the pension fund, as appropriate. The actuary will determine the assets and liabilities in respect of each employer and will calculate the appropriate contribution rate to be applied for the subsequent three-year period.

The costs associated with the administration of the scheme are charged directly to the pension fund, and the actuary takes these costs into account in assessing the employers' contribution rates.

In the event that an employer elects to outsource a service, the actuary is required to produce a report in respect of those scheme members involved in the outsourcing. The outsourcing employer will be liable for any actuarial costs arising from the outsourcing of a service, including the production of the report.

Guidance regarding the outsourcing of a service is located within the employer's section of our website.

An employer may also commission the actuary to undertake additional work, the costs of which will be charged to the employer. Please note that these costs will also include an element of the cost of any administration work involved in liaising with the actuary.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
May 2022**

Performance Standards

The delivery of an efficient and cost-effective administration is dependent upon a successful joint working partnership between Peninsula Pensions and key individuals within or representing the employer.

Performance standards are expressed as targets (i.e. the level of performance expected in normal circumstances). It is accepted that there may be occasions where it may not be possible to achieve the target indicated and a pragmatic approach will be adopted, subject to employers using their best endeavours to meet expected standards wherever possible.

Employer Responsibilities

1. Communication

Function/Role	Performance Target
Primary contacts - Nominate and keep under review named contacts including main contact and HR and payroll links.	Within 1 month of employer joining the Pension Fund or change to nominated representative
Stage 1 Appeals (IDRP) Officer - Appoint a person to consider appeals under Stage 1 of the Applications for the Adjudication of Disagreements Procedure (AADP) and provide full, up to date contact details to Peninsula Pensions.	Within 1 month of employer joining the Pension Fund or 1 month of a change in Appeals Officer
Independent Registered Medical Practitioner (IRMP) - Appoint an IRMP qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from Peninsula Pensions, for the consideration of all ill-health retirement applications from active and deferred members.	Within 1 month of employer joining the Pension Fund or within 1 month of a change in IRMP(s)
Employer Discretions - Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to Peninsula Pensions).	Initial policy and subsequent revisions to be provided within 1 month of publishing
LGPS content in Contracts – Ensure that Fund-approved LGPS content is included in all contract / appointment / adjustment communications for LGPS-eligible positions including direction to Peninsula Pensions website .	Review LGPS content annually or within 1 month following receipt of information regarding adjustment to Fund approved wording
Communicate any information provided by Peninsula Pensions to scheme members/potential scheme members.	Within 1 month unless an alternate timeframe is set by Peninsula Pensions

Refer new / prospective scheme members to Peninsula Pensions' website.	Within 1 month of commencement of employment or change in contractual conditions
Outsourcing – Notify Peninsula Pensions of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors.	Within 1 week-following Committee approval
Work with Peninsula Pensions to arrange for the admission of a contractor as a new employer.	A minimum of 2 months in advance of the date of contract
Notify Peninsula Pensions of changes / extension / cessation of arrangements with a contractor.	Within 5 working days of decision being made
Assist Peninsula Pensions in ensuring that the terms of the contractor's admission as an employer (Admission Agreement) are complied with.	Notify Peninsula Pensions immediately if the terms of the Admission Agreement have been breached
Respond to enquiries from Peninsula Pensions and representatives from the Administering Authority.	Within 2 weeks from receipt of the enquiry
Respond to enquiries from Peninsula Pensions and representatives from the Administering Authority in respect of Breaches of the Law.	Within 1 week of the request

2. Payments to the Fund

Function/Role	Performance Target
The Employer's Rate - Apply the employer contribution rate and deficit sum agreed with the Administering Authority on becoming an employer and adjust as instructed by the Administering Authority from a date determined by the Administering Authority.	Within 5 working days of receipt of information from the Administering Authority effective from a date determined by the Administering Authority following advice from the scheme actuary
The Employee's Rate - Calculate and review the correct employee contribution rate for all members at commencement and on 1st April each year. Also, to be reviewed at intervals during the year at the employer's discretion.	Within 5 working days of commencement, on 1st April each year and as per the employer's discretionary policy on adjusting the employee's contribution rate at intervals during the year

Assumed Pensionable Pay (APP) - Ensure the correct application of APP during periods of reduced/nil pay in accordance with the LGA's HR & Payroll Guides.	Review of eligibility for APP immediately upon a member moving to reduced/nil pay
Monthly Payment to the Pension Fund - Remit employee, employer and any additional contributions and submit the online contributions form to the Administering Authority.	By the 19th of the month after deduction from pay or date specified by the Administering Authority.
Payment of AVCs - Remit Additional Voluntary Contributions (AVCs) to the AVC provider(s).	By the 19th of the month following the deduction from pay
Make strain/shortfall payments to the Administering Authority in respect of early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Remit recharge payments in respect of pension members – e.g. Discretionary Compensation/Enhancement.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Payments in respect of FRS102 and IAS19 work carried out on behalf of employers by the Administering Authority and the Actuary.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Payments in respect of all other work carried out on behalf of the employer by the Actuary and connected data quality assurance undertaken by the Administering Authority.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Prompt payment of invoices issued by the Administering Authority for specific services provided e.g. admission agreement work.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Make payment of additional costs to the Administering Authority associated with non-compliance with performance standards of the scheme employer.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund

3. Year-End Return

Function/Role	Performance Target
Completing the Year-End Return - Provide a fully reconciled and completed Year-End Return to Peninsula Pensions in the format stipulated in the instructions issued each February.	By 19th April following the year-end unless employers are notified of an alternative date by the Peninsula Pensions
To resolve all queries returned from the Year-End Return.	To respond fully to all queries from Peninsula Pensions within 3 weeks of receipt of the query. In circumstances where an employer submits a late year-end return, limiting the time that Peninsula Pensions has to complete its duties, the timescales may be reduced, as advised by the Peninsula Pensions

4. Scheme Members Information

Function/Role	Performance Target
To notify Peninsula Pensions of all new scheme members, changes in personal details, e.g. name, working hours via Interface or Employer Self Service.	1 month
On cessation of membership determine the reason for leaving, final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate. NB Where an employee is suffering from a Terminal Illness and limited life expectancy, employers should contact Peninsula Pensions for guidance without delay.	For members in receipt of regular pay, where the employer can accurately project pay to the date of retirement, up to 1 month prior, or within 1 week following final pay period. Leavers under age 55 within 1 month following final payday
Apply a scheme members election to opt out of the LGPS to the member's payroll record. Notify Peninsula Pensions in line with the process for leavers, as stated above.	Election applies from the 1st of the month for the next available payroll, except where an opt-out is made within 3 months of an employee joining the scheme. In such cases the opt-out is backdated to the joining date and all contributions refunded directly.
Where a member dies in service - determine final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.	Within 1 week of final pay period
Provide monthly CARE data within required format.	Within 2 weeks of pay run
Ensure members are notified of the option to pay Additional Pension Contributions following absences not covered by APP.	Within 2 weeks of the return to work, or as set out in the employer's discretion policy
Apply/adjust/cease the deduction of Additional Pension Contributions following an APC application from a	In the month following receipt of election from scheme member

scheme member and forward information via Interface or ESS to Peninsula Pensions.	
Notify Peninsula Pensions of periods of unpaid absence not covered by Assumed Pensionable Pay (APP).	Within 1 month
Arrange for the deduction of AVCs from scheme member's pay following election.	Commence deduction of AVCs in month following the month of election, as advised by AVC Provider
Provide end-of-year data within required format.	By date specified by Peninsula Pensions in January each year
In line with General Data Protection Regulations (GDPR) an employer will protect information relating to a member contained in any item issued by Peninsula Pensions from improper disclosure. They will only use information supplied or made available by Peninsula Pensions for the LGPS.	Ongoing requirement

Administering Authority Responsibilities

1. Peninsula Pensions

To complete cases in-line with the Disclosure Regulations, with at least 90% of cases completed within the internal targets.

Peninsula Pensions Responsibility	Disclosure regulations / Legal Requirement	Internal Targets
To accurately record and update member records on pension administration systems.	Within 3 months of effective date of change	2 weeks
To produce a statutory notification and forward to member's home address, together with information relating to the LGPS including how to request a transfer, inform us of previous service, and complete an expression of wish form.	Within 2 months of joining the scheme or within 2 months of request being made	1 month
To process employer year-end contribution returns and provide consolidated and grouped error reports for action by employers.	n/a	3 months
To produce annual benefit statements for all active members as at the preceding 31 st March and notify electronically or by post to member's home address.	31 st August	31 st July
To produce annual benefit statements for all preserved members, as at the preceding 31 st March, and notify electronically or by post to member's home address.	31 st August	30 th June
To provide information and quotations to scheme member	Within 2 months of request being made	Within 10 working days

about additional voluntary contribution (AVC) options.		
To provide information and quotations to a scheme member on the option of making Additional Pension Contributions (APCs).	Within 2 months of request being made	Within 10 working days
To produce retirement estimates for employers, once in receipt of all the necessary information.	Within 2 months of request being made	Within 10 working days
To accurately record and update member records on pension administration systems for those members leaving the scheme, without entitlement to immediate payment of benefits. Provide them with the options available and deferred benefit entitlement.	Within 2 months of receiving notification that pensionable service has ended or within 2 months of a request	Within 1 month
To accurately calculate and inform the member of the options available to them upon retirement.	Within 1 month following date benefit becomes payable (2 months if retiring before normal pension age)	10 working days from receiving all information from employer
Upon receipt of members completed retirement forms finalise pension records and authorise payment of lump sum and set up of payroll record.	n/a	Within 10 working days
Under the General Data Protection Regulations 2018 Peninsula Pensions will protect information relating to a member contained on any item issued by them or received by them from improper disclosure.	n/a	Ongoing requirement, online security within databases regularly reviewed
Each Administering Authority is responsible for exercising the discretionary powers given to it by the regulations. The Administering Authority is also responsible for publishing its policy to its members in respect of the key discretions as required by the regulations.		Peninsula Pensions will maintain links to these discretions on their website
Notification of Pension Fund Triennial Valuation results including contribution rates.		Assuming information provided by Actuaries provisional results December following valuation, with final results the following March

Director of Finance's report

Investment activity

During the 2022-2023 financial year, the planned-asset allocation of the fund was altered with , although with the adoption of a new Investment Strategy Statement at the March 2022 Pensions Committee being implemented in the early part of the 2022-2023 financial year. We finished the process of moving our listed assets to our chosen LGPS pool, Brunel in May 2021. Brunel now manage in excess of 93% of the investment assets of the Fund.

Further details regarding the investment objectives of the fund can be found in the Investment Strategy Statement, a copy of which can be found earlier in this annual report.

The current planned asset allocation is shown in the table below:

31 March 2022 Target %	Asset class	31 March 2023 Target %
25	Passive global equity	20
20	UK equity	10
10	Active global developed equity	25
5	Active global small cap. equity	5
5	Emerging market equity	5
65	Total listed equity	65
4	UK government gilts	4
4	UK government index-linked bonds	4
8	Sterling corporate bonds	8
3	High yield Corporate bonds	3
19	Total listed bonds	19
10	Property	10
5	Private Equity	5
15	Total alternatives	15
1	Cash	1
<hr/> <hr/> 100		<hr/> <hr/> 100

Further details are contained in the section earlier in this report describing the fund managers. The actual holdings of the fund at the start and end of the year are detailed as part of the financial statements, which can be found later in this annual report.

Investment market background

Interest rates

During the year the Bank of England increase the official UK base rate at every meeting of the Monetary Policy Committee. This saw rates increase from 0.75% at the start of the Fund's financial year to 4.25% at the end.

Investment returns

Returns for the year were negative for the whole fund over the whole year. Equities lost a small amount of value as the impacts of the Russian invasion of Ukraine, and particularly the inflation that this contributed to, impacted markets throughout the year. Inflation fears and increases in central bank interest rates led to considerable losses in the bond portfolios.

Key market indicators

	Start of year	End of year	Percentage change for the year
Bank of England Base rate	0.75%	4.25%	
Strength of sterling			
against US dollars	1.31	1.23	-6%
euro	1.19	1.14	-4%
yen	159.88	163.82	2%
Stock markets (quoted in local currency)			
FTSE 100 (UK)	7,516	7,632	2%
FTSE All Share (UK)	4,188	4,158	-1%
Dow Jones (USA)	34,678	33,274	-4%
S&P 500 (USA)	4,530	4,109	-9%
FTSE Eurofirst 300 ex UK (Europe)	2,162	2,214	2%
Nikkei 225 (Japan)	27,821	28,041	1%
MSCI Emerging Market	1,142	990	-13%

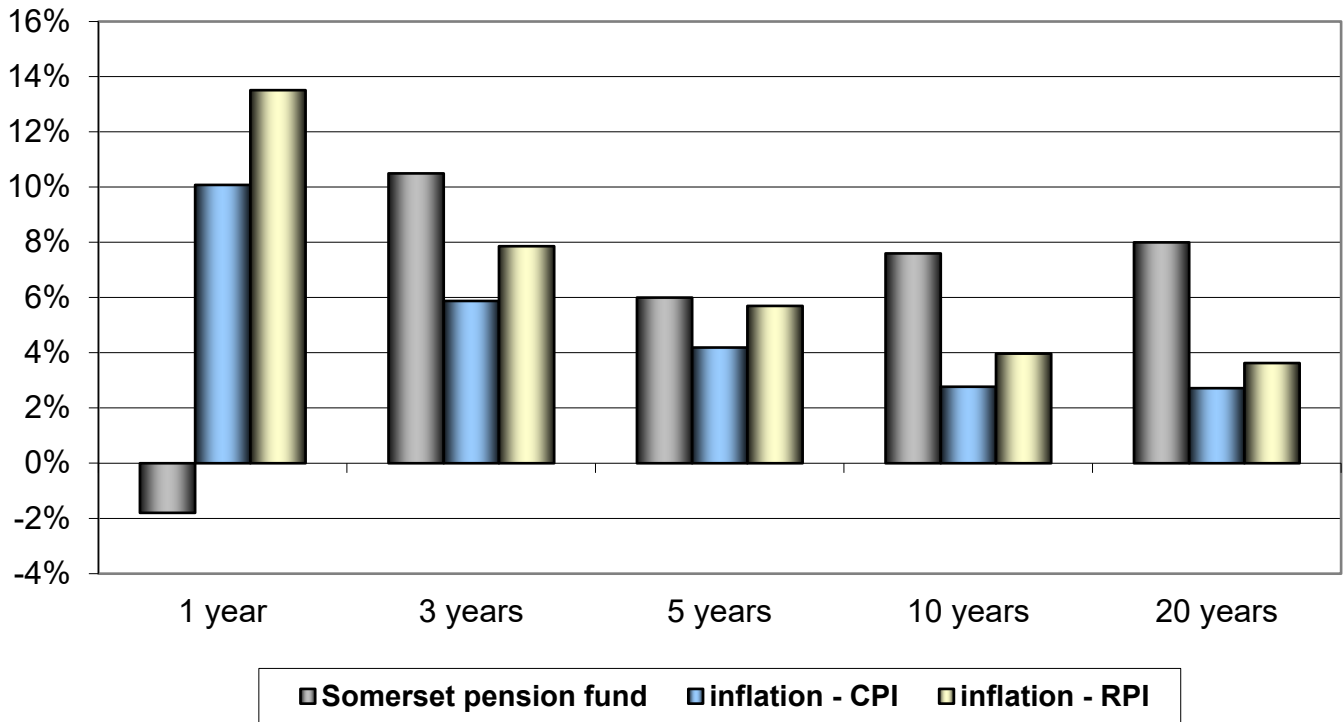
Source: Bank of England
Bloomberg

Investment performance

The success or failure of a pension fund depends largely on the performance of its investments. Benefits are worked out based on final salary for pre 2014 service and career average earnings for post 2014 service, and these benefits are 'index-linked' to protect their value over time. Taking the above into account, there is one simple but important comparison that can be made. This is to compare the growth in value of the fund with the rate of inflation.

For 2022/2023, the fund had a negative return and this return was noticeably short of surging inflation. Looking back over five-, 10- and 20-year periods, we can see from the chart below that the fund has grown more strongly than inflation over the longer term.

Annualised fund investment performance in relation to inflation



Source: Somerset CC
Bloomberg

Overall fund performance

The fund's total return was negative for the financial year at a return of -1.8%. We measure how good we think this figure is against our scheme-specific benchmark. This benchmark is basically a combination of the benchmarks we give to the individual asset managers. The return on our scheme-specific benchmark was -4.7% and the fund outperformed against this by 2.9%. The performance of each of the fund managers and the whole fund is shown in the table below net of all fees and charges.

1 year fund performance

Manager	Asset class	Fund	Benchmark	Fund relative to benchmark
Brunel	Passive global equity	0.3%	0.1%	0.2%
Brunel	Global high alpha equity	2.6%	-0.5%	3.1%
Brunel	UK equity	1.3%	3.9%	-2.6%
Brunel	Global small cap equity	-2.8%	-3.5%	0.7%
Brunel	Emerging market equity	-5.1%	-4.9%	-0.2%
Brunel	Passive Gilts	-29.7%	-29.7%	0.0%
Brunel	Passive I-L Gilts	-30.4%	-30.4%	0.0%
Brunel	Sterling corporate bonds	-10.7%	-10.2%	-0.5%
Brunel	Multi asset credit	-3.5%	2.2%	-5.7%
Brunel	Property	-10.9%	-14.5%	3.6%
Neuberger Berman	Global private equity	24.9%	2.3%	22.6%
Brunel	Global private equity	3.9%	2.3%	1.6%
Technology Venture Partners	Venture capital	0.0%	2.3%	-2.3%
Somerset County Council	Cash	2.3%	2.3%	0.0%
Whole Fund		-1.8%	-4.7%	2.9%

Source: Somerset CC

3 year (annualised) fund performance

Manager	Asset class	Fund	Benchmark	Fund relative to benchmark
Brunel	Passive global equity	17.1%	17.0%	0.1%
Brunel	Global high alpha equity	18.7%	17.1%	1.6%
Brunel	UK equity	11.9%	14.4%	-2.5%
Brunel	Global small cap equity	Initial investment in September 2020		
Brunel	Emerging market equity	6.9%	7.9%	-1.0%
Brunel	Passive Gilts	Initial investment in May 2021		
Brunel	Passive I-L Gilts	Initial investment in May 2021		
Brunel	Sterling corporate bonds	Initial investment in July 2021		
Brunel	Multi asset credit	Initial investment in June 2021		
LaSalle / Brunel	Property	1.3%	2.6%	-1.3%
Neuberger Berman	Global private equity	24.7%	0.9%	23.8%
Brunel	Global private equity	Initial investment in January 2021		
Technology Venture Partners	Venture capital	0.0%	0.9%	-0.9%
Somerset County Council	Cash	1.0%	0.9%	0.1%
Whole Fund		10.5%	9.3%	1.2%

Source: Somerset CC

5 year (annualised) fund performance

Manager	Asset class	Fund	Benchmark	Fund relative to benchmark
Brunel	Passive global equity	Initial investment in July 2018		
Brunel	Global high alpha equity	Initial investment in November 2019		
Brunel	UK equity	Initial investment in November 2018		
Brunel	Global small cap equity	Initial investment in September 2020		
Brunel	Emerging market equity	Initial investment in October 2019		
Brunel	Passive Gilts	Initial investment in May 2021		
Brunel	Passive I-L Gilts	Initial investment in May 2021		
Brunel	Sterling corporate bonds	Initial investment in July 2021		
Brunel	Multi asset credit	Initial investment in June 2021		
LaSalle / Brunel	Property	1.4%	2.5%	-1.1%
Neuberger Berman	Global private equity	20.6%	0.8%	19.8%
Brunel	Global private equity	Initial investment in January 2021		
Technology Venture Partners	Venture capital	0.0%	0.8%	-0.8%
Somerset County Council	Cash	1.0%	0.8%	0.2%
Whole Fund		6.0%	5.4%	0.6%

Source: Somerset CC

10 year (annualised) fund performance

Manager	Asset class	Fund	Benchmark	Fund relative to benchmark
Brunel	Passive global equity	Initial investment in July 2018		
Brunel	Global high alpha equity	Initial investment in November 2019		
Brunel	UK equity	Initial investment in November 2018		
Brunel	Global small cap equity	Initial investment in September 2020		
Brunel	Emerging market equity	Initial investment in October 2019		
Brunel	Passive Gilts	Initial investment in May 2021		
Brunel	Passive I-L Gilts	Initial investment in May 2021		
Brunel	Sterling corporate bonds	Initial investment in July 2021		
Brunel	Multi asset credit	Initial investment in June 2021		
LaSalle / Brunel	Property	5.1%	6.4%	-1.3%
Neuberger Berman	Global private equity	17.4%	0.6%	16.8%
Brunel	Global private equity	Initial investment in January 2021		
Technology Venture Partners	Venture capital	0.0%	0.6%	-0.6%
Somerset County Council	Cash	0.8%	0.6%	0.2%
Whole Fund		7.6%	7.1%	0.5%

Source: Somerset CC

Investment cost transparency

Direct investment management fees and transaction costs are included in note 9 of the Statement of Accounts. However, there has been an increasing focus on investment management costs, and a recognition that there are significant further costs that in the past have been hidden. The cost transparency agenda aims to ensure full disclosure of all costs involved in investment, as unless costs are identified they cannot be effectively managed. The effective management of investment costs should improve investment returns. The move toward investment fee transparency and consistency is seen by the LGPS Scheme Advisory Board as an important factor in the LGPS being perceived as a value led and innovative scheme.

The following table summarises investment management costs for 2022/23. It has been compiled from templates completed by each of the Fund's investment managers. The "Direct" costs column reconciles to the costs disclosed in note 9 within the Statement of Accounts, while "Indirect" costs are those costs that do not meet the criteria for inclusion in the accounts but do represent significant underlying costs to the Fund's investments.

The table below has been produced on a best efforts basis. Not all fund managers provided information to the same standard, it is likely that the total is understated because of this. Also, not all fund managers produced data for the correct time period, fund officers have aggregated time periods or done pro-rata calculations as applicable.

Page 888

	Brunel asset pool				Non-asset pool				Whole fund	
	Direct £ m	Indirect £ m	Total £ m	bps	Direct £ m	Indirect £ m	Total £ m	bps	Total £ m	bps
Management fees										
Ad valorem	7.250		7.250	28.5	0.377		0.377	18.0	7.627	27.7
Performance			0.000	0.0			0.000	0.0	0.000	0.0
Research			0.000	0.0			0.000	0.0	0.000	0.0
Other charges	0.314		0.314	1.2			0.000	0.0	0.314	1.1
Asset pool shared costs	1.016		1.016	4.0			0.000	0.0	1.016	3.7
Transaction costs										
Taxes and stamp duty		0.622	0.622	2.4			0.000	0.0	0.622	2.3
Broker commission		0.356	0.356	1.4			0.000	0.0	0.356	1.3
Transactional services		0.054	0.054	0.2			0.000	0.0	0.054	0.2
Other transaction costs		1.497	1.497	5.9			0.000	0.0	1.497	5.4
Implicit costs		3.731	3.731	14.7			0.000	0.0	3.731	13.6
Indirect transaction costs		1.413	1.413	5.6			0.000	0.0	1.413	5.1
Anti-dilution offset		-0.269	-0.269	-1.1			0.000	0.0	-0.269	-1.0
Custody	0.767		0.767	3.0	0.044		0.044	2.1	0.811	2.9
Other										
Stock lending			0.000	0.0			0.000	0.0	0.000	0.0
Other costs			0.000	0.0			0.000	0.0	0.000	0.0
Total	<u>9.347</u>	<u>7.404</u>	<u>16.751</u>	<u>65.9</u>	<u>0.421</u>	<u>0.000</u>	<u>0.421</u>	<u>20.2</u>	<u>17.172</u>	<u>62.4</u>

The different types of costs itemised in the above table are defined below:

- **Ad valorem** Fees are the management fees charged by the external fund managers based on the value of funds under their management. These may be invoiced or encashed from units held in pooled funds. Those shown as indirect relate to where fees are taken from underlying funds. All of these fees appear in note 9.
- **Performance fees** are fees based on the fund manager having achieved a level of performance that warrants additional fees. These will be based on the manager having achieved performance above a hurdle rate, either an absolute return or relative to a benchmark, and then being entitled to a share of the profit from the return achieved above the hurdle rate.
- **Other charges** comprise all payments made to parties providing services to the pooled fund other than the manager such as, but not limited to, the depositary, custodian, auditor, property related expenses, to the extent these are not included under transaction costs, and any other fees or levies deducted from the pooled fund.
- **Asset pool shared costs** comprise the charges levied by the Brunel Pension Partnership to meet the costs of running the company.
- **Taxes and stamp duty** comprise any taxes charged on asset transaction.
- **Broker commission** comprises payments for execution of trades. Levies, such as exchange fees, settlement fees and clearing fees are included within broker commissions.
- **Implicit costs** represent the loss of value implied by the difference between the actual transaction price and the mid-market value of the asset. The precise methodologies for calculating implicit costs are still being deliberated by regulators. The costs included in the table are based on the recommendation that firms may calculate implicit costs by reference to appropriate measures of market spread and portfolio turnover.
- **Entry/exit charges** may arise when a holding in a pooled fund is bought or sold. The amount reported will be the actual amount incurred for each transaction and will include any dilution levies made in addition to the price and any amounts representing the difference between the transaction price and the net asset value per unit calculated by reference to the mid-market portfolio valuation.
- **Indirect transaction costs** are transaction costs incurred within pooled funds when they buy and sell their underlying investments.
- **Custody** – the costs levied by the Fund's custodian.
- **Other costs** represent any additional charges that do not fit in any other category above.

As well as being transparent around costs the LGPS is striving to be more transparent about the effect of fund manager fees on investment performance. The following table shows, for each type of asset managed the performance gross of fund manager fees (the ad valorem fees and performance fees as per the definition above) and net of these fees. All of this performance is net of the transaction costs referred to above.

Asset class	1 year			3 year			5 year		
	Gross	Net	Benchmark	Gross	Net	Benchmark	Gross	Net	Benchmark
Brunel asset pool managed investments									
Passive global equity	0.3%	0.3%	0.1%	17.1%	17.1%	17.0%			
UK equity	1.5%	1.3%	3.9%	12.1%	11.9%	14.4%			
Global high alpha equity	2.9%	2.6%	-0.5%	19.0%	18.7%	17.1%			
Smaller companies equity	-2.5%	-2.8%	-3.5%						
Emerging market equity	-4.7%	-5.1%	-4.9%	7.3%	6.9%	7.9%			
Passive Gilts	-29.7%	-29.7%	-29.7%						
Passive index-linked Gilts	-30.4%	-30.4%	-30.4%						
Sterling corporate bonds	-10.6%	-10.7%	-10.2%						
Multi-asset credit	-3.2%	-3.5%	2.2%						
Property	-10.9%	-10.9%	-14.5%	1.3%	1.3%	2.6%	1.4%	1.4%	2.6%
Global private equity	3.9%	3.9%	2.3%						
Non-asset pool managed investments									
Global private equity	25.7%	24.9%	2.3%	25.5%	24.7%	0.9%	21.4%	20.6%	0.8%
Venture capital	1.5%	0.0%	2.3%	1.5%	0.0%	0.9%	1.5%	0.0%	0.8%
Cash	2.3%	2.3%	2.3%	1.0%	1.0%	0.9%	1.0%	1.0%	0.8%

Page 891

Where the fund is invoiced for fees a full calculation has been done to remove the exact fees charged. Where the management fee has been deducted from a pooled fund the performance has been adjusted by adding back the percentage fee charged to the net performance.

Financial statements

Our responsibilities

As the administration authority of the fund, Somerset County Council must:

- appoint an officer to manage the fund's financial affairs – for us, that officer is the Director of Finance and Governance; and
- manage the fund's affairs to protect its assets and make sure resources are used economically, efficiently and effectively.

Responsibilities of the Director of Finance and Governance

The Director of Finance and Governance is responsible for preparing the pension fund's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the code'), must give a true and fair view on the financial position of the pension fund at the accounting date and its income and spending for the year ended 31 March 2023.

In preparing this statement of accounts, the Director of Finance and Governance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and cautious; and
- followed the code.

The Director of Finance and Governance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

Fund Account

2021/2022			2022/2023		
£ millions	£ millions		£ millions	£ millions	Notes
		Contributions and other income			
24.077		Contributions from employees	26.079		5
93.882		Contributions from employers	96.627		5
2.728		Recoveries from member organisations	2.486		5
11.494		Transfer values received	9.175		6
132.181			134.367		
		Less benefits and other payments			
-87.162		Recurring pensions	-90.903		5
-13.189		Lump sum on retirement	-13.473		5
-1.994		Lump sum on death	-2.073		5
-9.115		Transfer values paid	-11.761		5
-0.320		Refund of contributions to leavers	-0.373		7
0.000		Employer exit payments	-0.355		
-111.780			-118.938		
	20.401	Net additions from dealings with members		15.429	
		Management Expenses			
-1.363		Administrative expenses	-1.443		8
-8.511		Investment management expenses	-9.768		9
-0.583		Oversight and governance expenses	-0.653		10
-10.457			-11.864		
	9.944	Net additions including management expenses		3.565	
		Investment income			
14.981		Investment income received	10.020		11
0.620		Investment income accrued	0.894		11
0.000		Less irrecoverable tax	0.000		
15.601			10.914		
		Change in market value of investments			
37.169		Realised profit or loss	295.738		14
163.310		Unrealised profit or loss	-349.914		14
200.479			-54.176		
	216.080	Net return on investments		-43.262	
	226.024	Net increase/ (decrease) in the net assets available for benefits during the year		-39.697	

Table continued on next page

Fund Account (continued)

2021/2022			2022/2023		
£ millions	£ millions		£ millions	£ millions	Notes
		Change in actuarial present value of promised retirement benefits			
54.133		Vested benefits	1,772.442		15
<u>5.743</u>		Non-vested benefits	<u>42.765</u>		15
	59.876	Net change in present value of promised benefits		1,815.207	
	285.900	Surplus/(deficit) on the pension fund for the year		1,775.510	
	-2,313.564	Add net liabilities at beginning of year		-2,027.664	
	<u>-2,027.664</u>	Net liabilities at end of year		<u>-252.154</u>	

Net Assets Statement

On 31 March 2022 £ millions		On 31 March 2023 £ millions	Notes
	Investment assets and liabilities		
2,837.350	Investment assets	2,797.832	12
0.000	Investment liabilities	0.000	12
0.620	Other investment balances	0.894	16
	Current assets		
4.078	Contributions due from employers	7.144	
0.500	Cash at bank	0.831	
4.713	Other debtors	0.560	
	Current liabilities		
0.000	Unpaid benefits	0.000	
0.000	Bank overdraft	0.000	
-2.165	Other creditors	-1.862	
2,845.096	Net assets of the scheme available to fund benefits at end of year	2,805.399	
	Actuarial present value of promised retirement benefits		
-4,794.764	Vested benefits	-3,022.322	15
-77.996	Non-vested benefits	-35.231	15
-2,027.664	Net liabilities at end of year	-252.154	

Notes to the Accounts

Note 1: Description of the fund

The Somerset County Council pension fund is a defined benefit pension plan for the employees of the County Council and other employers in Somerset. The fund is part of the Local Government Pension Scheme (LGPS). The LGPS is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The fund receives contributions and investment income to meet pension benefits and other liabilities related to the majority of the County Council's employees. It does not cover teachers (whose pensions are managed through the Government's Department for Education). The fund also extends to cover employees of district councils, civilian employees of the Avon and Somerset Police (police officers have a separate scheme) and employees of other member bodies. A full list of employers who paid into the fund during the financial year is contained in note 5 of the accounts.

Contributions by employees are based on nine-tiered contribution bands dependent on the individual employee's pay, the nine contribution bands range from 5.5% to 12.5%. Nationally the Government estimate the average employee contribution is 6.3%.

All employers' contribution rates are decided by the fund's actuary every three years as part of this valuation of the fund. The rates for the 2022-2023 financial year were the third year covered by the valuation of the fund as at 31 March 2019. For Somerset County Council, for example, the employer's contribution rate for the three years covered by this valuation is 18.1% for each of the years from 2020 to 2023 plus a fixed sum of £9.33m for 2020/2021, £9.67m for 2021/2022 and £10.03m for 2022/2023. This compares with a rate of 15.5% and a lump sum of £12.81m for the 2019/2020 year set under the 2016 valuation. A common contribution rate will, in the long term, be enough to meet the liabilities of the fund assessed on a full-funding basis – this was 24.3% at the 2019 valuation (22.9% at the 2016 valuation). This common contribution rate can be split into amounts that meet new service and an amount needed to make up the deficit in the fund, the common rate of 24.3% is made up of a rate of 17.8% for new service and 6.5% for deficit funding. As part of the 2019 valuation all employers except academy schools have agreed to meet the deficit funding portion by paying a fixed monetary amount rather than a percentage of pensionable pay (as demonstrated by the example of Somerset County Council above). The aim of this is to remove the volatility caused by changing staff levels. At the valuation the actuary estimated that the fund's assets covered 86% of the fund's liabilities.

The pension and lump-sum payments that employees receive when they retire are linked to their final year's salary for pre-31 March 2014 service and to career average re-valued earnings (CARE) for service since 1st April 2014, along with how long they have worked for an employer within the fund. Increases in pension payments linked to inflation come out of the fund.

Note 2: Basis of preparation

The statement of accounts summarises the fund's transactions for the 2022-2023 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-2023 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts have been prepared on a going concern basis.

Note 3: Accounting policies

The Fund account is prepared on a full accrual basis, with the exception of transfer values. As a result the following apply:

- investments and financial assets are included at fair value;
- the majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement;
- fixed interest securities are valued excluding accrued income;
- pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price (typically net asset value) where there are no bid/offer spreads, as provided by the investment manager of the respective pooled investment vehicle;
- forward foreign exchange contracts are valued using the foreign exchange rate at the date of the net assets statement;
- The Neuberger Berman Crossroads 2010 fund, Neuberger Berman Crossroads XX fund, Neuberger Berman Crossroads XXI fund and Neuberger Berman Crossroads XXII fund are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. Quarterly valuation statements for private equity investments are produced a significant length of time after the quarter end, and consequently the value we use for each unit of the private equity funds in the accounts is the audited value of the private equity funds at 31 December;
- contributions and benefits are accounted for in the period in which they fall due;
- interest on deposits and fixed interest securities are accrued if they are not received by the end of the financial year;
- interest on investments are accrued if they are not received by the end of the financial year;
- all dividends and interest on investments are accounted for on 'ex-dividend' dates;
- all settlements for buying and selling of investments are accrued on the day of trading;
- transfer values are accounted for when money is received or paid;
- the fund has significant investments overseas. The value of these investments in the net assets statement is converted into sterling at the exchange rates on 31 March. Income receipts, and purchases and sales of overseas investments, are normally converted into sterling at or about the date of each transaction and are accounted for using the actual exchange rate received. Where the transaction is not linked to a foreign exchange transaction to convert to sterling the exchange rate on the day of transaction is used to convert the transaction into sterling for accounting purposes; and
- Cash and cash equivalents on the net assets statement are restricted to 'cash at bank' and 'bank overdraft'. All cash (overdraft) not in the pensions fund's standard bank account with NatWest is treated as an Investment asset and is shown in note 12.

Note 4: Critical judgements in applying accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items in the net assets statement for which there is a significant risk of material adjustment the following year are as follows:

- Actuarial present value of promised retirement benefits (note 15)
- Level 3 investments as described in the Fair Value Hierarchy (note 32)

Note 5: Contributions and benefits

2022/2023	Somerset County Council £ millions	Other scheduled employers £ millions	Admitted employers £ millions	Total £ millions
Employees' contributions				
- Normal	8.931	15.644	1.290	25.865
- Additional	0.083	0.131	0.000	0.214
Total	<u>9.014</u>	<u>15.775</u>	<u>1.290</u>	26.079
Employers' contributions				
- Normal	25.470	42.708	3.659	71.837
- Augmentation	0.211	0.229	0.070	0.510
- Deficit funding	10.030	12.800	1.450	24.280
Total	<u>35.711</u>	<u>55.737</u>	<u>5.179</u>	96.627
Recurring pension and lump sum payments	-49.081	-45.430	-11.938	-106.449
Money recovered from member organisations	1.481	0.991	0.014	2.486
	<u>-2.875</u>	<u>27.073</u>	<u>-5.455</u>	<u>18.743</u>

2021/2022	Somerset County Council £ millions	Other scheduled employers £ millions	Admitted employers £ millions	Total £ millions
Employees' contributions				
- Normal	8.126	14.274	1.419	23.819
- Additional	0.108	0.149	0.001	0.258
Total	<u>8.234</u>	<u>14.423</u>	<u>1.420</u>	24.077
Employers' contributions				
- Normal	23.295	38.860	4.041	66.196
- Augmentation	0.346	0.484	0.168	0.998
- Deficit funding	9.670	13.663	3.355	26.688
Total	<u>33.311</u>	<u>53.007</u>	<u>7.564</u>	93.882
Recurring pension and lump sum payments	-48.225	-43.452	-10.668	-102.345
Money recovered from member organisations	1.452	1.262	0.014	2.728
	<u>-5.228</u>	<u>25.240</u>	<u>-1.670</u>	<u>18.342</u>

Note 5: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
County council			
Somerset	9.014	35.711	44.725
Police & Crime Commissioner			
Avon & Somerset	6.406	18.293	24.699
District councils			
Mendip	0.448	1.871	2.319
Sedgemoor	0.846	3.793	4.639
South Somerset	0.832	3.650	4.482
Somerset West & Taunton	1.366	5.736	7.102
Other bodies			
Exmoor National Park	0.146	0.549	0.695

Table continued on next page

Note 5: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Parish and town councils			
Axbridge Town Council	0.002	0.007	0.009
Berrow Parish Council	0.001	0.004	0.005
Bishop Hull Parish Council	0.001	0.003	0.004
Bridgwater Town Council	0.023	0.082	0.105
Burnham & Highbridge Town Council	0.017	0.062	0.079
Castle Cary Town Council	0.003	0.010	0.013
Chard Town Council	0.020	0.069	0.089
Cheddar Parish Council	0.003	0.009	0.012
Coleford Parish Council	0.001	0.004	0.005
Comeytrove Parish Council	0.001	0.003	0.004
Crewkerne Town Council & Burial Board	0.010	0.037	0.047
East Coker Parish Council	0.001	0.002	0.003
Frome Town Council	0.053	0.184	0.237
Glastonbury Town Council	0.018	0.063	0.081
Iminster Town Council	0.011	0.035	0.046
Langport Town Council	0.002	0.007	0.009
Lower Brue Drainage Board	0.045	0.139	0.184
Minehead Town Council	0.016	0.056	0.072
Nether Stowey Parish Council	0.001	0.004	0.005
North Petherton Town Council	0.003	0.007	0.010
Puriton Parish Council	0.001	0.003	0.004
Shepton Mallet Town Council	0.008	0.030	0.038
Somerton Town Council	0.004	0.017	0.021
Street Parish Council	0.008	0.024	0.032
Watchet Town Council	0.004	0.006	0.010
Wellington Town Council	0.007	0.023	0.030
Wells Burial Board & Parish Council	0.037	0.117	0.154
West Coker Parish Council	0.001	0.003	0.004
Williton Parish Council	0.002	0.010	0.012
Wincanton Town Council	0.005	0.021	0.026
Yeovil Town Council	0.016	0.052	0.068

Table continued on next page

Note 5: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Further-education colleges			
Bridgwater and Taunton College	0.827	2.743	3.570
Richard Huish Sixth Form College	0.169	0.524	0.693
Strode College	0.175	0.623	0.798
Yeovil College	0.254	0.713	0.967
Academies			
Ansford Academy	0.042	0.168	0.210
Ashill Primary Academy	0.003	0.013	0.016
Avishayes Academy	0.023	0.093	0.116
Axbridge Academy	0.015	0.062	0.077
Barwick and Stoford School	0.001	0.002	0.003
Bath & Wells Academy Trust	0.378	1.466	1.844
Bishop Fox's Academy	0.077	0.310	0.387
Blackbrook Primary School	0.015	0.066	0.081
Brent Knoll Primary School	0.013	0.057	0.070
Bridgwater College Academy	0.194	0.760	0.954
Brookside Academy	0.076	0.310	0.386
Bruton Sexseys Academy	0.072	0.286	0.358
Brymore Academy	0.066	0.272	0.338
Buckland St. Mary Church of England School	0.006	0.026	0.032
Buckler's Mead Academy	0.047	0.188	0.235
Castle Academy	0.087	0.335	0.422
Castle Primary School	0.012	0.050	0.062
Charlton Horethorn School	0.004	0.017	0.021
Cheddar First School	0.022	0.093	0.115
Chilton Trinity Academy	0.047	0.188	0.235
Countess Gytha Primary School	0.016	0.065	0.081
Courtfields Academy	0.062	0.251	0.313
Crispin Academy	0.057	0.231	0.288
Critchill School	0.050	0.205	0.255

Table continued on next page

Note 5: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Academies (continued)			
Danesfield Academy	0.024	0.099	0.123
Draycott and Rodney Stoke First School	0.005	0.022	0.027
East Brent School	0.008	0.033	0.041
East Huntspill Primary School	0.006	0.029	0.035
Enmore Academy	0.009	0.037	0.046
Fairlands Middle School	0.022	0.093	0.115
Hambridge Primary School	0.011	0.046	0.057
Hamp Academy	0.022	0.098	0.120
Hatch Beauchamp Primary School	0.003	0.014	0.017
Hayesdown Academy	0.020	0.084	0.104
Haygrove Academy	0.077	0.290	0.367
Hemington Primary School	0.005	0.020	0.025
Holy Trinity Church of England School	0.037	0.156	0.193
Holyrood Academy	0.082	0.327	0.409
Horrington Primary School	0.009	0.039	0.048
Hugh Sexey's School	0.039	0.139	0.178
Huish Academy	0.037	0.155	0.192
Huish Episcopi Academy	0.094	0.368	0.462
Huish Episcopi Primary Academy	0.013	0.055	0.068
Isambard Kingdom Brunel School	0.017	0.073	0.090
King Alfred School	0.078	0.318	0.396
King Arthur's School	0.024	0.095	0.119
King Edward Road Nursery	0.014	0.058	0.072
King Ina (Monteclefe)	0.028	0.120	0.148
Kings of Wessex Academy	0.089	0.333	0.422
Kings of Wessex Leisure	0.027	0.059	0.086
Kingsmead Academy	0.063	0.247	0.310
Leigh On Mendip First School	0.008	0.034	0.042
Lympsham School	0.013	0.059	0.072

Table continued on next page

Note 5: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Academies (continued)			
Maiden Beech Academy	0.013	0.157	0.170
Manor Court Primary School	0.029	0.127	0.156
Mark Academy	0.013	0.053	0.066
Mendip School	0.055	0.228	0.283
Middlezoy Primary School	0.004	0.015	0.019
Milford Junior School	0.037	0.149	0.186
Minehead First School	0.026	0.112	0.138
Minehead Middle School	0.054	0.221	0.275
Minerva Primary School	0.019	0.078	0.097
Neroche Primary School	0.016	0.069	0.085
North Cadbury School	0.008	0.033	0.041
Northgate Primary School	0.027	0.117	0.144
Nunney First School	0.006	0.023	0.029
Oakfield Academy	0.040	0.160	0.200
Old Cleeve Academy	0.011	0.048	0.059
Othery Primary School	0.003	0.014	0.017
Otterhampton Primary School	0.009	0.038	0.047
Our Lady of the Mount Catholic School	0.013	0.054	0.067
Pawlett Primary School	0.004	0.017	0.021
Pen Mill Academy	0.015	0.061	0.076
Preston Academy	0.066	0.255	0.321
Preston C of E Primary School	0.078	0.289	0.367
Primrose Lane Primary School	0.023	0.098	0.121
Priorswood Academy	0.014	0.060	0.074
Puriton Primary School	0.014	0.058	0.072
Redstart Academy	0.050	0.199	0.249
Ruishton Primary School	0.022	0.092	0.114
Selwood Academy	0.034	0.133	0.167
Selworthy School	0.091	0.382	0.473
Shipham Church of England First School	0.010	0.042	0.052
Spaxton Primary School	0.006	0.026	0.032

Table continued on next page

Note 5: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Academies (continued)			
St. Dunstan's Academy	0.025	0.105	0.130
St. Cuthbert's Academy	0.012	0.053	0.065
St Gildas Catholic Primary School	0.016	0.068	0.084
St Joseph & St Teresa School	0.011	0.048	0.059
St Josephs Catholic Primary School	0.020	0.085	0.105
St Josephs Catholic School	0.015	0.064	0.079
St. Michael's Academy	0.031	0.125	0.156
St. Michael's Church of England School	0.012	0.049	0.061
St. Peter's Academy	0.009	0.040	0.049
St Peters Nursery	0.010	0.040	0.050
Stanchester Academy	0.035	0.144	0.179
Steiner Academy, Frome	0.016	0.070	0.086
Stogursey Primary School	0.008	0.033	0.041
Tatworth Academy	0.013	0.055	0.068
Taunton Academy	0.168	0.698	0.866
The Blue School, Wells	0.112	0.452	0.564
Weare Academy	0.015	0.065	0.080
Wedmore Academy	0.017	0.071	0.088
Wellesley Park Primary School	0.020	0.087	0.107
West Huntspill Primary School	0.012	0.051	0.063
West Monkton Primary School	0.066	0.264	0.330
West Somerset Community College	0.042	0.175	0.217
Westfield Academy	0.083	0.317	0.400
Westover Green Academy	0.041	0.189	0.230
Whitstone Academy	0.045	0.179	0.224
Willowdown Academy	0.027	0.116	0.143
Winsham Primary School	0.005	0.020	0.025
Woolavington Academy	0.016	0.064	0.080
Total other scheduled employers	15.775	55.737	71.512

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Note 5: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Admitted bodies			
Abri	0.252	1.208	1.460
Aster Communities Ltd	0.035	0.314	0.349
BAM FM	0.003	0.013	0.016
Capita	0.002	0.007	0.009
Dimensions	0.295	0.697	0.992
Edward and Ward Ltd	0.001	0.001	0.002
Everyone Active	0.025	0.087	0.112
Freedom Leisure	0.007	0.029	0.036
Glen Cleaning Company Ltd	0.004	0.023	0.027
Homes in Sedgemoor	0.163	0.489	0.652
Idverde Ltd	0.009	0.035	0.044
Imperial Cleaning	0.000	0.000	0.000
KGB South West	-0.003	-0.016	-0.019
Leisure East Devon	0.002	0.003	0.005
Lifestyle Fitness	0.002	0.014	0.016
Magna West Somerset Housing Association	0.057	0.277	0.334
Mama Bear's	0.002	0.006	0.008
MD Building Services	0.011	0.039	0.050
National Autistic Society	0.006	0.036	0.042
NSL Ltd	0.015	0.056	0.071
Pabulum	0.001	0.004	0.005
SASP	0.008	0.004	0.012
Shared Lives South West	0.000	-0.001	-0.001
Society of Local Council Clerks	0.045	0.134	0.179
Somerset Care Ltd	0.022	0.276	0.298
Somerset Skills & Learning	0.075	0.268	0.343
South West Audit Partnership	0.125	0.550	0.675
South West Heritage	0.055	0.177	0.232
South West Provincial Councils	0.050	0.366	0.416
Suez Recycling	0.021	0.083	0.104
Total admitted employers	1.290	5.179	6.469
Total	26.079	96.627	122.706

Note 6: Transfer values

2021/2022 £ millions		2022/2023 £ millions
0.950	Group transfer values received	0.000
10.543	Individual transfer values received	9.175
<u>11.493</u>		<u>9.175</u>
-1.434	Group transfer values paid	0.000
-7.681	Individual transfer values paid	-11.761
<u>-9.115</u>		<u>-11.761</u>

Note 7: Refunds

2021/2022 £ millions		2022/2023 £ millions
-0.316	Contributions refunded to members who leave service	-0.367
<u>-0.006</u>	Interest accumulated on refunds agreed in the past	<u>-0.014</u>
<u>-0.322</u>		<u>-0.381</u>
0.000	Deductions from contributions equivalent premium	0.000
0.002	Less payments to Department for Work and Pensions contributions equivalent premium	0.008
<u>-0.320</u>		<u>-0.373</u>

Note 8: Administrative expenses

2021/2022 £ millions		2022/2023 £ millions
0.000	Benefits administration costs charged by Somerset CC	0.000
<u>-1.339</u>	Benefits administration costs charged by Devon CC	<u>-1.429</u>
-1.339		-1.429
0.000	Legal advice costs charged by Somerset CC	0.000
<u>-0.024</u>	External legal advice	<u>-0.014</u>
-0.024		-0.014
<u>-1.363</u>		<u>-1.443</u>

Note 9: Investment management expenses

2021/2022 £ millions		2022/2023 £ millions
	Fund manager fees	
-0.031	Somerset County Council	-0.006
-0.078	Abrdn	-0.018
-0.515	Other fund managers	-0.353
-0.624		-0.377
	Other expenses	
0.000	Transaction costs	0.000
-0.058	Custody fees	-0.044
-0.058		-0.044
	Pooling	
-0.881	Brunel Fees	-1.016
-4.838	3rd Party Fund Manager Fees	-5.680
-1.217	Property unit trust managers' fees	-1.570
-0.645	Custody fees	-0.767
-0.248	Other costs	-0.314
-7.829		-9.347
-8.511		-9.768

The “other fund manager” fees identified above is an estimate of fund management fees that are deducted from within investments held by the pension fund but not invoiced to the fund.

No performance related fees were invoiced to the Fund by fund managers.

The pooling category above includes fees directly invoiced by Brunel as well as costs deducted directly from pooled investments provided by Brunel.

In addition to these costs, indirect costs are incurred through bid/offer spread on investment purchases. No attempt has been made to quantify these amounts.

No attempt has been made to estimate transaction costs incurred within pooled funds.

Note 10: Oversight and governance expenses

2021/2022 £ millions		2022/2023 £ millions
-0.010	Committee services costs charged by Somerset CC	-0.010
<u>-0.227</u>	Investments administration costs charged by Somerset CC	<u>-0.241</u>
-0.237		-0.251
-0.105	Actuary's fees	-0.186
<u>0.073</u>	Recharge of Actuary's fees to employers	<u>0.080</u>
-0.032		-0.106
-0.037	External audit fees	-0.049
0.013	Refund of external audit fees	0.015
-0.014	Non-audit fees of external auditor	0.000
<u>0.000</u>	Recharge of non-audit fees to employers	<u>0.000</u>
-0.038		-0.034
0.000	Internal audit costs charged by South West Audit Partnership	0.000
-0.051	Professional services and subscriptions	-0.040
-0.197	IT systems	-0.198
0.000	Performance measurement fees	0.000
-0.003	External legal advice	0.000
0.000	Voting advice fees	0.000
-0.017	Pooling costs	-0.017
-0.008	Other expenses	-0.007
<u>-0.583</u>		<u>-0.653</u>

The pooling costs referred to in this note are costs that are related to pooling but not paid to Brunel or regarding anything that Brunel provides. Typically this is legal and other consulting work regarding pooling.

The external audit fees disclosed in the auditor's formal audit plan to the Fund for the 2022/2023 financial year are £39,871 plus £12,600 for IAS 19 assurance work for employers. Any discrepancy relates to invoices being received by the Fund after the accounts are closed and not being accrued for in relation to invoices for both the 2021/22 and 2022/23 financial years. Similar discrepancies appear in the 2021/2022 audit plan relating to the 2021/22 fee, shown as £33,659. The £39,871 does not include the fees for IAS assurance work undertaken by Grant Thornton on behalf of employers but this is included in the external audit fees in the table above. Due to a change in the disclosure rules for accounts this year the prior year IAS 19 work is separately disclosed as non-audit fees.

Note 11: Investment income

2021/2022		2022/2023
£ millions		£ millions
2.795	Bonds	0.000
0.050	Index linked bonds	0.000
0.074	UK equities	0.000
0.054	Overseas equities	0.324
12.332	Property unit trusts	7.923
0.293	Cash invested internally	2.667
0.000	Private equity	0.000
0.003	Stock lending	0.000
15.601		10.914

Note 13: Analysis of collective investment fund investments

31 March 2022 £ millions		31 March 2023 £ millions
	Unit trusts	
166.720	UK property funds	158.902
	Unitised insurance policies	
782.616	Brunel passive global equity fund	586.312
13.260	Standard Life smaller companies fund	0.000
62.263	Brunel passive gilt fund	43.760
80.882	Brunel passive index-linked gilt fund	56.275
196.828	Brunel sterling corporate bond fund	195.845
1,135.849		882.192
	Limited liability partnerships	
73.118	Neuberger Berman private equity funds	80.426
10.188	Brunel private equity funds	18.104
1.640	South West regional venture fund	1.640
84.946		100.170
	UK authorised contractual scheme	
489.006	Brunel UK equity fund	317.222
392.475	Brunel global high alpha equity fund	796.008
189.091	Brunel global smaller companies fund	183.745
108.096	Brunel emerging market equity fund	102.535
1,178.668		1,399.510
	Other managed funds	
61.172	UK property funds	65.584
77.723	Brunel multi-asset credit funds	94.869
138.895		160.453
2,705.078	Total	2,701.227

Note 14: Movement in investment assets

Manager	Asset class	Investment assets as at 1 April £ millions	Change in cash invested internally £ millions	Purchases £ millions	Sales proceeds £ millions	Realised profit or loss £ millions	Unrealised profit or loss £ millions	Investment assets as at 31 March £ millions
2021/2022	Total	2,608.448	-30.651	1,183.186	-1,124.112	37.169	163.310	2,837.350
Abrdn	UK equity	13.260	0.000	0.000	-10.323	7.171	-10.108	0.000
LaSalle / Brunel	Property	227.892	0.000	56.193	-24.621	5.643	-40.621	224.486
Neuberger Berman	Global private equity	73.118	0.000	0.000	-10.203	4.569	12.942	80.426
TVP	UK venture capital	1.640	0.000	0.000	0.000	0.000	0.000	1.640
Brunel	Company	0.840	0.000	0.000	0.000	0.000	0.000	0.840
Brunel	UK Equity	489.006	0.000	0.000	-174.615	22.247	-19.416	317.222
Brunel	Passive global equity	782.616	0.000	1,122.298	-1,312.297	238.722	-245.027	586.312
Brunel	Global high alpha equity	392.475	0.000	706.526	-346.610	13.482	30.135	796.008
Brunel	Global smaller co.'s	189.091	0.000	0.000	0.000	0.000	-5.346	183.745
Brunel	Emerging market equity	108.096	0.000	0.000	0.000	0.000	-5.561	102.535
Brunel	UK Government Gilts	62.263	0.000	0.000	0.000	-0.006	-18.497	43.760
Brunel	UK Gov't index linked Gilts	80.882	0.000	0.000	0.000	-0.007	-24.600	56.275
Brunel	Sterling corporate bonds	196.828	0.000	20.000	0.000	0.000	-20.983	195.845
Brunel	Multi-asset credit	77.723	0.000	20.000	0.000	0.000	-2.854	94.869
Brunel	Global private equity	10.188	0.000	7.895	-0.007	0.006	0.022	18.104
Somerset County Council	Cash	131.432	-39.578	0.000	0.000	3.911	0.000	95.765
2022/2023	Total	<u>2,837.350</u>	<u>-39.578</u>	<u>1,932.912</u>	<u>-1,878.676</u>	<u>295.738</u>	<u>-349.914</u>	<u>2,797.832</u>

Manager	Asset class	Investment assets as at 1 April £ millions	Change in cash invested internally £ millions	Purchases £ millions	Sales proceeds £ millions	Realised profit or loss £ millions	Unrealised profit or loss £ millions	Investment assets as at 31 March £ millions
2020/2021	Total	2,046.706	9.654	1,731.892	-1,724.697	105.819	439.074	2,608.448
Somerset County Council	Global equity	0.375	0.000	0.000	-0.381	-0.008	0.014	0.000
Abrdn	UK equity	12.994	0.000	0.000	0.000	0.000	0.266	13.260
Abrdn	Bonds	390.427	0.000	300.590	-700.685	47.445	-37.777	0.000
Abrdn	Derivatives	0.518	0.000	347.123	-347.569	0.698	-0.770	0.000
LaSalle / Brunel	Property	174.890	0.000	41.031	-11.999	-19.383	43.353	227.892
Neuberger Berman	Global private equity	69.405	0.000	1.142	-15.818	2.754	15.635	73.118
TVP	UK venture capital	1.640	0.000	0.000	0.000	0.000	0.000	1.640
Brunel	Company	0.840	0.000	0.000	0.000	0.000	0.000	0.840
Brunel	UK Equity	450.502	0.000	0.000	0.000	0.000	38.504	489.006
Brunel	Passive global equity	681.900	0.000	0.000	0.000	-0.036	100.752	782.616
Brunel	Global high alpha equity	360.872	0.000	0.000	0.000	0.000	31.603	392.475
Brunel	Global smaller co.'s	184.984	0.000	0.000	0.000	0.000	4.107	189.091
Brunel	Emerging market equity	122.078	0.000	0.000	0.000	0.000	-13.982	108.096
Brunel	UK Government Gilts	0.000	0.000	67.444	0.000	-0.004	-5.177	62.263
Brunel	UK Gov't index linked Gilts	0.000	0.000	80.872	0.000	-0.004	0.014	80.882
Brunel	Sterling corporate bonds	0.000	0.000	210.024	0.000	0.000	-13.196	196.828
Brunel	Multi-asset credit	0.000	0.000	126.567	-47.660	0.150	-1.334	77.723
Brunel	Global private equity	0.574	0.000	8.393	0.000	-0.071	1.292	10.188
Somerset County Council	Cash	156.449	-30.651	0.000	0.000	5.628	0.006	131.432
2021/2022	Total	2,608.448	-30.651	1,183.186	-1,124.112	37.169	163.310	2,837.350

The £840,000 investment shown as Brunel above refers to the value of the shares the fund holds in Brunel Pension Partnership Ltd. (BPP Ltd.). This value is not the value of assets managed by BPP Ltd, which as at 31 March 2023 was £2,619,161,000. This investment is also disclosed separately from any other investment in note 12, note 17 and note 32 and a written disclosure is made in note 26 with regard to related parties.

Note 15: Actuarial present value of promised retirement benefits

The present value of promised retirement benefits is an estimate of the value of the lump sums and pensions that the fund will pay in the future. The estimate has been calculated by the fund’s actuary and has been prepared in accordance with International Accounting Standard (IAS) 26. In calculating the disclosed numbers the actuary has adopted methods and assumptions that are consistent with IAS19.

To assess the value of the Fund’s liabilities at 31 March 2023, the actuary has rolled forward the value of the Fund’s liabilities calculated for the funding valuation as at 31 March 2022

The estimation of the present value of promised retirement benefits is subject to significant variances based on changes to the underlying assumptions. In accordance with IAS 19 the assumptions used to make the calculations are set with reference to market conditions at the net assets statement date. The assumptions used are as follows:

31 March 2022		31 March 2023
Financial assumptions		
3.20%	CPI increases	2.85%
4.20%	Salary increases	3.85%
3.20%	Pension increases	2.85%
2.60%	Discount Rate	4.80%
Life expectancy (from age 65)		
23.1	Retiring today - Males	21.4
24.7	- Females	23.2
24.4	Retiring in 20 years - Males	22.7
26.1	- Females	24.7

The Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach. The SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40 year point.

Following a recent review of the market, and in particular noting the muted market reaction to the likely alignment of RPI with CPIH (Consumer Prices Index with Housing) from 2030, the actuary's view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms. We have therefore allowed for an Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 9 years). This results in an overall IRP of between 0.0% p.a. and 0.25% p.a. depending on the term of the liabilities (for terms ranging from 1 year up to 30 years).

Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration of 22 years. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30-year point). This is consistent with the approach used at the last accounting date.

A sensitivity analysis of the present value of promised retirement benefits to changes in these assumptions is provided in the table below.

	£ millions	£ millions
Actuarial present value of promised retirement benefits	3,057.553	
Sensitivity to	+0.1%	-0.1%
Discount rate	3,006.575	3,109.920
Salary increase	3,061.246	3,053.892
Pension increases and deferred revaluation	3,107.181	3,009.233
Sensitivity to	+ 1 year	- 1 year
Life expectancy assumptions	3,175.224	2,944.755

The table below shows a breakdown of the change in the present value of promised retirement benefits that occurred during the year.

2021/2022 £ millions		2022/2023 £ millions
-210.913	Current service cost	-184.085
-97.832	Interest cost	-125.629
301.406	Change in financial assumptions	2073.799
0.000	Change in demographic assumptions	328.684
-10.424	Experience loss/(gain) on defined benefit obligations	-359.835
5.407	Liabilities assumed/(extinguished) on settlements	0.000
97.257	Estimated benefits paid net of transfers in	107.171
-0.923	Past service costs, including curtailments	-0.569
-24.102	Contributions by scheme members	-24.329
59.876		1,815.207

Note 16: Other investment balances

31 March 2022 £ millions		31 March 2023 £ millions
	Assets	
0.620	- Accrued income	0.894
<u>0.000</u>	- Payments due on investments sold	<u>0.000</u>
0.620		0.894
	Liabilities	
<u>0.000</u>	- Payments not made on purchases and losses due on sales	<u>0.000</u>
0.000		0.000
<u>0.620</u>		<u>0.894</u>

Note 17: Management structure

31 March 2022		Manager	Asset class	31 March 2023	
£ millions	%			£ millions	%
13.260	0	Abrdn	UK equity	0.000	0
73.118	2	Neuberger Berman	Global private equity	80.426	3
1.640	0	Technology Venture Partners	UK venture capital	1.640	0
0.840	0	Brunel	UK venture capital	0.840	0
131.432	5	Somerset County Council	Cash	95.765	3
220.290	7	Not-pooled sub total		178.671	6
489.006	17	Brunel	UK Equity	317.222	11
782.616	28	Brunel	Passive global equity	586.312	21
392.475	14	Brunel	Global high alpha equity	796.008	28
189.091	7	Brunel	Global smaller companies	183.745	7
108.096	4	Brunel	Emerging market equity	102.535	4
62.263	2	Brunel	UK Government Gilts	43.760	2
80.882	3	Brunel	UK Gov't index linked Gilts	56.275	2
196.828	7	Brunel	Sterling corporate bonds	195.845	7
77.723	3	Brunel	Multi-asset credit	94.869	3
227.892	8	Brunel	Property	224.486	8
10.188	0	Brunel	Global private equity	18.104	1
2,617.060	93	Pooled sub total		2,619.161	94
2,837.350	100	Net investment assets		2,797.832	100

The £840,000 investment shown as Brunel above refers to the value of the shares the fund holds in Brunel Pension Partnership Ltd. (BPP Ltd.). This value is not the value of assets managed by BPP Ltd, which as at 31 March 2023 was £2,619,161,000. This investment is also disclosed separately from any other investment in note 12, note 14 and note 32 and a written disclosure is made in note 26 with regard to related parties.

Note 18: Classification of financial instruments

31 March 2022 £ millions			31 March 2023 £ millions		
Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost
Investment assets and liabilities					
2,837.350			2,797.832		
0.000			0.000		
	0.620			0.894	
	4.078			7.144	
	0.500			0.831	
	4.713			0.560	
		0.000			0.000
		0.000			0.000
		-2.165			-1.862
<u>2,837.350</u>	<u>9.911</u>	<u>-2.165</u>	<u>2,797.832</u>	<u>9.429</u>	<u>-1.862</u>
Net assets of the scheme available to fund benefits at end of year					

Note 19: Net gains and losses on financial instruments

2021/2022		2022/2023
£ millions		£ millions
200.479	Fair value through profit and loss	-54.176
0.000	Amortised cost - realised gains (losses) on derocognition	0.000
0.000	Amortised cost - unrealised gains (losses)	0.000
<u>200.479</u>		<u>-54.176</u>

Note 20: Major holdings

31 March 2022				31 March 2023		
Rank	£ millions	Stock	Description	Rank	£ millions	% of net investments
3	392.475	Brunel global high alpha equity fund	Pooled fund of developed market equities	1	796.008	28.5
1	782.616	Brunel passive global equity fund	Pooled fund of developed market equities	2	586.312	21.0
2	489.006	Brunel UK equity fund	Pooled fund of UK equities	3	317.222	11.3
4	196.828	Brunel sterling corporate bond fund	Pooled fund of corporate bonds	4	195.845	7.0
5	189.091	Brunel global smaller companies fund	Pooled fund of developed market equities	5	183.745	6.6
6	108.096	Brunel emerging market equity fund	Pooled fund of emerging market equities	6	102.535	3.7
9	46.421	Brunel Neuberger Berman MAC fund	Pooled fund of multi-asset credit	7	56.413	2.0
7	80.882	Brunel passive index-linked gilt fund	Pooled fund of UK Gov't index-linked gilts	8	56.275	2.0
8	62.263	Brunel passive gilt fund	Pooled fund of UK Gov't gilts	9	43.760	1.6
10	33.762	Neuberger Berman Crossroads XXII fund	Private equity fund	10	34.632	1.2
15	20.955	Neuberger Berman Crossroads XXI fund	Private equity fund	11	25.872	0.9
-	0.000	UBS Triton UK PUT	Pooled fund of UK property	12	24.656	0.9
13	23.993	CBRE UK Property Fund	Pooled fund of UK property	13	21.067	0.8
12	24.183	Nuveen UK Property Fund	Pooled fund of UK property	14	20.911	0.7
11	26.693	IPIF	Pooled fund of UK property	15	19.915	0.7
22	15.576	Brunel Oaktree MAC fund	Pooled fund of multi-asset credit	16	19.237	0.7
14	22.708	Clearbell UK Property Fund	Pooled fund of UK property	17	19.224	0.7
21	15.727	Brunel CQS MAC fund	Pooled fund of multi-asset credit	18	19.220	0.7
18	18.815	Octopus Healthcare fund	Pooled fund of UK property	19	18.940	0.7
16	20.739	Blackrock UK PUT	Pooled fund of UK property	20	17.013	0.6

Page 923

The largest five holdings of the fund each make up more than 5% of the net investment assets. The percentage of net investment assets that each holding makes up is shown in the final column of the table above.

Note 21: Derivatives

Investment in derivative instruments may only be made if they contribute to a reduction of risk or they facilitate more efficient portfolio management.

During the year the fund didn't use any derivatives. The use of derivatives is permitted by some of the collective investment funds managed by Brunel that we invest in.

Note 22: Capital commitments (investments)

As at 31 March 2023 the fund had outstanding capital commitments (investments) totalling £86.814m (31 March 2022 - £74.842m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled private equity and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

31 March 2022 £ millions			31 March 2023 £ millions	
Total commitment	Outstanding commitment		Total commitment	Outstanding commitment
87.343	27.760	Neuberger Berman PE funds	93.008	29.560
21.000	13.425	Property funds	42.100	16.866
42.423	33.657	Brunel PE funds	57.283	40.388
<u>150.766</u>	<u>74.842</u>		<u>192.391</u>	<u>86.814</u>

Note 23: Stock lending

Following the transition of assets to Brunel the Fund no longer directly undertakes stock lending. Stock lending is permitted by some of the collective investment funds managed by Brunel that we invest in.

Note 24: Membership statistics

As at 31 March	2017	2018	2019	2020	2021	2022	2023
Active scheme members	21,550	21,151	20,485	20,877	20,605	21,378	21,508
Pensioners							
Current (in payment)	15,421	16,322	17,326	18,289	18,921	19,690	20,399
Deferred (future liability)	22,268	25,119	26,741	26,449	26,543	26,906	27,565
Undecided leavers	3,778	2,617	2,337	1,808	1,838	1,586	1,630
Total (active plus pensioners)	63,017	65,209	66,889	67,423	67,907	69,560	71,102
Active members for each current pensioner	1.40	1.30	1.18	1.14	1.09	1.09	1.05

Note 25: Additional voluntary contributions

During the year some members of the fund paid additional voluntary contributions (AVCs) to Utmost Life and Pensions (formally Equitable Life) and Prudential to buy extra pension benefits when they retire. The pension fund accounts, in accordance with regulation 5 (2)(C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include AVC transactions. The contributions for the year and the outstanding value of assets invested via AVCs at 31 March are shown in the following table.

31 March 2022 £ millions	31 March 2023 £ millions
Value of additional voluntary contributions	
4.238 Prudential	
0.200 Utmost (formally Equitable Life)	
4.438	0.000

2021/2022 £ millions	2022/2023 £ millions
Additional voluntary contributions paid during the year	
0.511 Prudential	
0.000 Utmost (formally Equitable Life)	0.000
0.511	0.000

Neither Prudential or Utmost have provided AVC data regarding contributions in 2022/23 or the total value of assets as at 31 March 2023 at the time of publication.

Note 26: Related parties

Committee members Sarah Williams and Paul Butler were active members of the scheme during the year and Committee member Sarah Payne was a deferred member of the scheme during the year.

Pension Board members Nigel Behan and Rachel Ellins were active members of the scheme during the year. Pension Board members Antony White and Roderick Bryant were deferred members of the scheme during the year.

Via collective investment funds the fund holds shares in a number of companies that Somerset County Council and the other member bodies have commercial dealings with. Decisions about the suitability of companies for the fund to invest in are taken by the fund managers that Brunel employ within the pooled funds we invest in without referring to the county council, its officers or other member bodies.

Payments made to Somerset County Council by the fund for administration and related services are disclosed in notes 8, 9 and 10.

Brunel Pension Partnership Ltd (Company number 10429110)

Brunel Pensions Partnership Ltd (BPP Ltd) was formed on the 14th October 2016 and oversees the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds.

Each of the 10 local authorities, including Somerset County Council own 10% of BPP Ltd.

The fund paid BPP Ltd £1,016,000 in fees for services in the 2022-2023 financial year as disclosed in note 9.

During the year the fund did not purchase or sell shares in BPP Ltd. These accounts show this investment valued at £840,000 and is disclosed separately from any other investment in note 12, note 14, note 17 and note 32.

No other related party transactions other than normal contributions, benefits and transfers occurred during the year. In note 5 we analyse the total contributions we were due to receive and benefits the fund paid for scheduled and admitted bodies.

Note 27: Remuneration

No staff are directly employed by Somerset County Council Pension Fund. All officers who undertake work on behalf of the fund are employed by Somerset County Council and then costs, including pay where appropriate, are charged to the fund. The total cost of these charges is shown in notes 8, 9 and 10 of these accounts.

The total actual salary and benefits paid for the financial year ended 31 March 2023 of any officer who undertake work for the fund and receives salary of greater than £60,000 is shown in the table below. This represents their full salary and benefits from Somerset County Council and does not represent the costs of the work this officer undertakes for the pension fund.

Year to 31 March 2023						
Post title	Salary (including fees and allowances) £	Compensation for loss of office £	Benefits in kind £	Total wages and benefits but not including pensions contributions 2022/23 £	Employer's pension contributions £	Total wages and benefits including pensions contributions 2022/23 £
Director of Finance and Governance	129,500	-	-	129,500	23,400	152,900

Page 928

For comparison purposes the equivalent disclosure for the financial year ended 31 March 2022 is shown in the table below.

Year to 31 March 2022						
Post title	Salary (including fees and allowances) £	Compensation for loss of office £	Benefits in kind £	Total wages and benefits but not including pensions contributions 2021/22 £	Employer's pension contributions £	Total wages and benefits including pensions contributions 2021/22 £
Director of Finance and Performance	123,300	-	-	123,300	22,300	145,600

Note 28: Investment Strategy Statement

We have prepared an Investment Strategy Statement, which explains the strategies and policies that we use in the administration of the pension fund's investments. The full statement is published in the Pension Fund Annual Report and Financial Statement and is also available on the Somerset Council website.

Note 29: Contingent liabilities

There were no contingent liabilities as at 31 March 2023.

Note 30: Post balance sheet events

There were no post balance sheet events as at 30 June 2023.

Note 31: Nature and extent of risks arising from financial instruments

As a result of the adoption of IFRS the fund is required to make disclosures of the risks arising from holding Financial Instruments. For the purpose of this disclosure, financial instruments means all of the fund's investment assets and investment liabilities as shown in note 12 of these accounts, the approximation of the fair value of the net of these assets and liabilities at 31 March 2023 being £2,798m.

The main risks from the fund's holding of financial instruments are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and currency risk.

The fund's assets are managed by a mixture of officers and external fund managers as described in note 17 of these accounts. A management agreement is put in place with each external fund manager which clearly states the type of investments they are allowed to make for the fund, asset allocation ranges and any further restrictions we believe are necessary.

To make investments as secure as they can be, where possible, external investments are maintained under the control of a safe custodian. Only cash holdings and a small number of pooled funds stay under the control of officers.

Because the fund adopts a long term investment strategy, the high level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.

Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices of assets or currencies where the assets are priced in currencies other than British pounds.

The fund is exposed to market risk on all of its investment assets with the exception of the cash holdings in British pounds. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio over the long term.

The fund holds a diversified portfolio of different assets, which are managed by a variety of fund managers which have a variety of investment styles. This diversification is the most effective way of managing market risk.

The sensitivity of the fund's investments to changes in market prices have been analysed using the volatility of returns experienced by asset classes. The volatility data used is broadly consistent with a one-standard deviation movement. The volatility is measured by the (annualised) estimated standard deviation of the returns of the assets relative to the liability returns. Such a measure is appropriate for measuring "typical" variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues.

Movements in market prices would have increased or decreased the investment assets valued at 31 March 2023 by the amounts shown below.

Asset class	Value of Assets £ millions	Volatility	Increase in Assets £ millions	Decrease in Assets £ millions
UK equities	317.222	17.90%	56.783	-56.783
Overseas equities	1,668.600	15.30%	255.296	-255.296
UK bonds	239.605	7.70%	18.450	-18.450
Overseas bonds	94.869	13.20%	12.523	-12.523
UK index-linked bonds	56.275	7.20%	4.052	-4.052
Property	224.486	6.20%	13.918	-13.918
Private equity*	101.010	15.30%	15.455	-15.455
Cash	95.765	0.00%	0.000	0.000
Net investment assets	<u>2,797.832</u>		<u>376.475</u>	<u>-376.475</u>

* Includes level 3 assets, further details can be found in note 32 of these accounts.

Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the fund to incur a financial loss. This is often referred to as counterparty risk.

The fund is subject to credit risk within its general debtors although none of these would represent a material risk to the fund.

The fund has credit risk to each of its employer bodies in that they could become insolvent and default on a pension deficit owed to the fund. The majority of the employers in the fund are statutory bodies backed to a greater or lesser extent by the UK government. For the admitted bodies the credit risk is mitigated and managed by the holding of guarantee bonds or having their deficit guaranteed by one of the statutory bodies within the fund.

Bankruptcy or insolvency of the custodian may affect the fund's access to its assets. However, all assets held by a custodian are ring-fenced as "client assets" and therefore cannot be claimed by creditors of the custodian. The fund manages its risk by monitoring the credit quality and financial position of custodians.

A source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion and cash deposits with various institutions. Internally held cash is managed on the fund's behalf by the Council's Treasury Management Team in line with the fund's Counterparty Policy which sets out the permitted counterparties and limits. The exposure within the cash management part of the portfolio to a single entity is limited to £10m and all counterparties must be rated at least "A-" or higher by the three major rating agencies. In this context the fund's cash balances (including the cash held at bank or net of bank overdraft) of £95.8m is subject to credit risk.

Forward foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts, which are primarily banks. The maximum credit exposure on foreign currency contracts is the full amount of the contractual settlement should the counterparty fail to meet its obligations to the fund when it falls due. The fair value and full exposure levels of any forward foreign exchange contracts held are provided in note 21 of these accounts.

It is arguable that the fund has significant exposure to credit risk within its bond holdings, the reality is that as the perception of the credit quality of the bond issuer varies through time the market price of the bond varies accordingly, this means that the market risk of these holdings effectively encompasses the counterparty risk.

Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due by not having available cash. The fund mitigates this risk by monitoring and projecting its cash flow to enable it to have cash resources as they are required and maintains a cash balance to meet working requirements.

A substantial portion of the fund's investments consist of cash and readily realisable securities. This gives the fund access to in excess of £50m of assets which could be realistically liquidated into cash in less than a week. The majority of the Brunel provided pooled funds provide weekly dealing, providing access to further liquidity should it be required.

The main liability of the fund is the benefits payable, which fall due over a long period and the investment strategy reflects the long term nature of these liabilities. The estimated present value of these obligations is shown on the net assets statement of these accounts and the value of these benefits that fell due in the past financial year is shown on the fund account of these accounts.

Note 32: Fair value hierarchy

The fund measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Unadjusted quoted prices in an active market for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the assets or liability used to measure fair value that rely on the fund's own assumptions concerning the assumptions that market participants would use in pricing an asset or liability.

The basis for the valuation of each class of investment asset is set out below.

Description of Asset	Fair Value Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Market quoted equities and bonds	Level 1	Published closing bid prices ruling at year end.	Not required.	Not required.
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Exchange traded futures and forward foreign exchange contracts	Level 1	Published exchange prices at the year end.	Not required.	Not required.

Table continued on next page

Description of Asset	Fair Value Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Pooled equity funds	Level 2	Published single price ruling at year end.	Quoted prices of underlying holdings of the assets held within the pooled fund	Not required.
Brunel pooled funds	Level 2	Closing bid price where bid and offer prices are available. Closing single price where single price available.	Quoted prices of underlying holdings of the assets held within the pooled fund	Not required.
Pooled property funds	Level 2	Closing bid price where bid and offer prices are available. Closing single price where single price available.	Prices of the underlying property assets assessed by an independent valuer.	Not required.
Private equity limited liability partnerships	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transaction prices.	Market transactions, market outlook, cash flow projections, last financings and multiple projections	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Unquoted equity	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transaction prices.	Earnings and revenue multiples. A discount for lack of marketability may be applied.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

The table below analyses the fund's investment assets at 31 March 2023 into the 3 levels of the fair value hierarchy.

Asset Class	Level 1 £ millions	Level 2 £ millions	Level 3 £ millions	Total £ millions
UK equities				0.000
Brunel pooled equity funds		1,985.822		1,985.822
Brunel pooled bond funds		390.749		390.749
Property funds		224.486		224.486
Private Equity funds			101.010	101.010
Cash	95.765			95.765
Net investment assets	<u>95.765</u>	<u>2,601.057</u>	<u>101.010</u>	<u>2,797.832</u>

For comparison purposes the equivalent disclosure for the financial year ended 31 March 2022 is shown in the table below.

Asset Class	Level 1 £ millions	Level 2 £ millions	Level 3 £ millions	Total £ millions
UK equities		13.260		13.260
Brunel pooled equity funds		1,961.284		1,961.284
Brunel pooled bond funds		417.696		417.696
Property funds		227.892		227.892
Private Equity funds			85.786	85.786
Cash	131.432			131.432
Net investment assets	<u>131.432</u>	<u>2,620.132</u>	<u>85.786</u>	<u>2,837.350</u>

There have been no transfers of assets between levels within the fair value hierarchy during the financial year ended 31 March 2023.

The following table shows a reconciliation of the movement in level 3 investments during the financial year ended 31 March 2023.

Asset class	Fair Value as at 31 March 2022 £ millions	Transfers into Level 3 £ millions	Transfers out of Level 3 £ millions	Purchases £ millions	Sales proceeds £ millions	Realised profit or loss £ millions	Unrealised profit or loss £ millions	Fair Value as at 31 March 2023 £ millions
Global private equity	83.306	0.000	0.000	7.895	-10.210	4.575	12.964	98.530
UK venture capital	1.640	0.000	0.000	0.000	0.000	0.000	0.000	1.640
Brunel	0.840	0.000	0.000	0.000	0.000	0.000	0.000	0.840
Total	85.786	0.000	0.000	7.895	-10.210	4.575	12.964	101.010

The £840,000 investment shown as Brunel above refers to the value of the shares the fund holds in Brunel Pension Partnership Ltd. (BPP Ltd.). This value is not the value of assets managed by BPP Ltd, which as at 31 March 2023 was £2,619,161,000. This investment is also disclosed separately from any other investment in note 12, note 14 and note 17 and a written disclosure is made in note 26 with regard to related parties.

Note 33: Accounting standards that have been issued but have not yet been adopted

Under IFRS the fund must disclose what consideration it has given to accounting standards that have not been adopted. The Pension Fund has yet to adopt the following accounting standards:

Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.

On February 12, 2021, the IASB published Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

Sets out amendments to IAS 1 Presentation of Financial Statements, the Basis for Conclusions on IAS 1 Presentation of Financial Statements and other IFRS Standards and publications with effect for annual reporting periods beginning on or after 1 January 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

These amendments address uncertainty in practice about how an entity applies the initial recognition exemption in paragraphs 15 and 24 of IAS 12 to transactions that give rise to both an asset and liability on initial recognition and may result in temporary differences of the same amount.

Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

On May 14, 2020, the IASB published Reference to the Conceptual Framework (Amendments to IFRS 3) with amendments to IFRS 3, Business Combinations that update an outdated reference in IFRS 3 without significantly changing its requirements.

We do not expect any of the amendments above, to have a material impact on our accounts when they are applied prospectively from 1st April 2023.



Jason Vaughan
Director of Finance and Governance
30 June 2023

Actuary's statement as at 31 March 2023

Introduction

The last full triennial valuation of the Somerset County Council Pension Fund was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 29 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The smoothed market value of the Fund's assets as at 31 March 2022 for valuation purposes was £2,775m.
- The Fund had a funding level of 95% i.e. the assets were 95% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £139m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- any difference between each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 19.8% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2022 are summarised below:

Assumptions	Assumptions used for the 2022 valuation
Financial assumptions	
Market date	31 March 2022
CPI inflation	2.9% p.a.
Salary increases	3.9% p.a.
Discount rate	4.6% p.a.
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increases. For members that reach SPA after this date , we have assumed that Funds are required to pay the entire inflationary increases
Demographic assumptions	
Post-retirement mortality	Male / Female
<i>Member base tables</i>	S3PA
<i>Member mortality multiplier</i>	105% / 115%
<i>Dependant base tables</i>	S3DA
<i>Dependant mortality multiplier</i>	100% / 105%
<i>Projection model</i>	CMI 2021
<i>Long-term rate of improvement</i>	1.25% p.a.
<i>Smoothing parameter</i>	7.0
<i>Initial addition to improvements</i>	0.0% p.a.
<i>2020/21 weighting parameter</i>	5%

The mortality assumptions translate to life expectancies as follows:

Assumed life expectancies at age 65:	
Average life expectancy for current pensioners - men currently age 65	21.4 years
Average life expectancy for current pensioners - women currently age 65	23.2 years
Average life expectancy for future pensioners - men currently age 45	22.6 years
Average life expectancy for future pensioners - women currently age 45	24.6 years

Further details of assumptions used can be found in the relevant actuarial valuation report.

Updated position since the 2022 valuation

Assets

Returns over the year to 31 March 2023 have been lower than expected. As at 31 March 2023, the Fund assets were less than they were predicted to be at the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2023, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation from 31 March 2023 onwards.

In addition, benefits were increased by 10.1% in line with the 2023 LGPS pension increase which is higher than the long term pension increase assumed at the previous valuation. However, this was anticipated at the 2022 valuation and built into the long-term inflation assumption. The projection for the future rate of long-term inflation from 31 March 2023 has reduced since the previous valuation in line with expectations.

The higher pension increase has been broadly offset by the higher real discount rate, however, the value of the liabilities will have increased due to the accrual of new benefits and interest on the liabilities.

Overall position

On balance, we estimate that the funding position has weakened slightly when compared on a consistent basis to 31 March 2022.

However, the increase in the real discount rate since 31 March 2022 is likely to place a lower value on the cost of future accrual which results in a lower primary contribution rate. The impact on secondary contributions will vary by employer.

The next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026.

A handwritten signature in black ink, appearing to read 'Graeme Muir'.

Graeme Muir FFA
Partner, Barnett Waddingham LLP
1st September 2023

Independent auditor's report to the members of Somerset Council on the pension fund financial statements of Somerset Pension Fund

Opinion on financial statements

We have audited the financial statements of Somerset Pension Fund (the 'Pension Fund') administered by Somerset Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities.
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Financial Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013, and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We enquired of management and the Audit Committee concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit, and the Audit Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals entries that altered the Fund's performance for the year and potential management bias in determining key estimates related to level 2 and level 3 investments and the IAS 26 pensions liability. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on March and post-year end manual journals above performance materiality, journals posted by senior finance personnel, and those entries made by starters and leavers to the Fund,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 2 and level 3 investment assets and the actuarial present value of the defined benefit liability; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julie Masci

Julie Masci, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol
25 January 2024

Independent auditor's report to the members of Somerset Council on the consistency of the pension fund financial statements of Somerset Pension Fund included in the Pension Fund Annual Report

Opinion

We have examined the pension fund financial statements of Somerset Pension Fund (the 'pension fund') for the year ended 31 March 2023 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the pension fund financial statements are consistent, in all material respects, with the audited financial statements of Somerset County Council for the year ended 31 March 2023 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We have not considered the effects of any events between 25 January 2024, being the date we signed our report on the audited financial statements of Somerset County Council and the date of this statement.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Our responsibility is to state to the members of Somerset Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Somerset County Council.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Somerset County Council describes the basis of our opinion on those financial statements.

Use of this auditor's statement

This statement is made solely to the members of Somerset Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Somerset Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Somerset Council and the members of Somerset Council, as a body, for our work, for this statement, or for the opinions we have formed.

Julie Masci

Julie Masci, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol
25 January 2024

Glossary of terms

Absolute annual investment return

An investment return that is an exact amount, for example 7%, rather than a return compared to a benchmark.

Accrual (to accrue)

An amount to cover income or spending that has not yet been paid but which belongs to that accounting period.

Active members

Members of the pension fund who are currently working and contributing to the fund.

Actuary

An independent consultant who advises the fund and reviews the financial position of the fund every three years.

Actuarial present value of promised retirement benefits

A calculated value for the amount of money needed today to meet the pension payments the fund will make in the future. In calculating this value the actuary takes account of factors such as investment returns, inflation and life expectancy.

Actuarial valuation

A valuation to check that the funding is on track to cover liabilities and review employers' contributions.

Administering authority

The organisation that runs the pension fund.

Admitted organisations

An organisation that takes part in the pension scheme under an 'admission agreement' (that is, an agreement and terms under which they are allowed to join our scheme).

Annualised return

The average yearly return over a period of more than one year.

Asset allocation

The percentage of the fund set aside for each type of investment.

Augmentation

Payments to provide new benefits or improved benefits such as early retirement.

Benchmark

An index (for example, the FTSE 100) or peer group that the fund, or a section of the fund, is measured against to work out whether the fund has performed well.

Bid price

The price at which investments can be sold.

Bid-offer spread

The difference between the bid price and the offer price.

CIPFA

Chartered Institute of Public Finance and Accountancy

Co-investment

Investing alongside someone else in the same investment.

Collateral

Assets placed with a lender as security against a borrower failing to make agreed payments. For example, in the case of a mortgage, the house would usually be the collateral against which the bank lent money to an individual.

Common contribution rate

The normal contributions of member authorities and organisations must meet 100% of benefits. The common contribution rate is the future service cost of members' contributions, including an allowance for expenses.

Corporate governance

The system by which companies are controlled and directed, and the way they respond to their shareholders, employees and society.

Currency hedges

Assets that are owned to reduce the effects of foreign-exchange movements on the fund.

Deferred benefits

Built-up pension rights, for ex-employees, that are kept in the pension fund.

Deferred pension

The pension benefit that is paid from the normal retirement date to a member of the fund who no longer pays contributions as a result of leaving employment or opting out of (leaving) the pension scheme before their retirement age.

Derivatives

A type of investment that is linked to another asset. Examples of derivatives are options, forwards and futures.

Developed markets

Countries that index providers (such as FTSE or MSCI) have decided have strong regulation and large investment markets that are well developed.

Dividend

The distributed profits of a company.

Emerging markets

Countries that index providers (such as FTSE or MSCI) have decided have weaker regulation and new or small investment markets.

Employer of sound covenant

An employer who is unlikely to become insolvent (unable to pay its debts).

Engagement

Discussions between investors or their fund managers and companies about corporate governance or socially responsible investment.

Equities

Ordinary shares in a company.

Ethical investments

Investments that are moral and are not linked to companies that, for example, are involved in trading weapons, exploiting developing countries or contributing to climate change.

Ex-dividend

A share is 'ex-dividend' on a date set by a company when current shareholders are entitled to a dividend on their holding. Even if the holding is sold, the previous owner will receive the income. On that date, the market price of a share will be adjusted to reflect the income due to the holder. (For example, a share which goes ex-dividend with a dividend of 10p will see the market price reduce by that amount.) Stock may be sold ex-dividend (without dividend entitlement) or 'cum-div' (with dividend entitlement).

Full-funding basis

When the future value of assets matches the future value of liabilities. At the last actuarial valuation, which was carried out as at 31 March 2007, the fund was 95% funded. This means that the value of the assets was 95% of the estimated value of the liabilities.

Futures or forwards

Buying or selling a package of shares, currency or commodities (for example, coffee or metal) at a specific point in the future at a price agreed when the contract is taken out.

Hedging

A process of reducing or removing the risk of a portfolio by buying or selling assets that act in an opposite way to those already owned.

Historical cost

The amount paid for an investment when it was bought.

Index-linking

When pension benefits are updated in line with inflation.

Liquid assets

Assets that can be sold to provide cash very quickly.

Mandate

An agreement with an investment manager to manage a particular type of asset.

Mid price

The price halfway between the bid price and the offer price.

Myners

Paul Myners was commissioned by the Government to review and report on UK institutional investment.

Option

The right to buy or sell shares within a set timescale at a price confirmed at the time the option is bought.

Over-the-counter trades

A trade for an investment that has not taken place on a stock exchange and has been made to meet the particular needs of the investor.

Passive management or passive investment

Tracking an index and not taking active investment decisions.

Peer group

Other local-authority pension funds.

Pooled investments

Investments where the assets are not held directly by the investors, but are held in a 'pool'. Examples of pooled investments are unit trusts, life funds, open-ended investment companies and limited liability partnerships.

Portfolio

A collection of stocks, shares and other securities.

Preserved benefits

The benefits to which members would be entitled if they left service, based on the service they had completed up to the date they left. As long as members had enough service, the benefits they had earned up to the date they left would be held (preserved) in the fund for them and would be paid when they retired. Between leaving service and retirement, the benefits would be increased broadly in line with price inflation.

Projected unit method

One of the common methods actuaries use to estimate the cost of future benefits from a pension scheme. The method works out the cost of the benefits members are expected to earn over a period (often one year) following the valuation date, allowing for predicted future increases in pay until members retire or leave service. The cost is set out as a percentage of members' contributions. As long as the distribution of members remains stable (that is, new members join the scheme to replace scheme members who have left), the cost is expected to remain stable.

Quantitative analysis system

A computer model to help analyse share holdings and make investment decisions.

Quoted investment

A company listed on a stock exchange.

Realised profit

A realised profit is the profit (or loss) when an investment is sold and is the difference between what it was sold for and what was paid for it.

Recoverable tax

Tax that has been paid but can be claimed back.

Recurring pension

A pension that is paid regularly, usually every month.

Real discount rate

The discount rate is the return that the actuary uses to work out how much money needs to be saved today to pay future liabilities. For example, if the discount rate is 5.25% then you need to save £95 today to have £100 in a year's time. The real discount rate is a discount rate where the effects of inflation have been removed.

Safe custody

The responsibility for keeping the fund's financial assets safe, settling transactions, collecting income, and other procedures relating to investments.

Scheduled organisations

Local-government organisations which have the automatic right to take part in the pension scheme.

Secondary investments

A private equity fund that is bought from an existing investor, rather than being an investor when the fund was first created.

Settle transactions

Swapping money for assets when you buy or sell shares or bonds. Financial assets usually settle two or three days after the trade is agreed.

Shareholder engagement

Where the owners of shares try to influence a company's behaviour by campaigning in the press, voting at company meetings or talking to company managers. Typical issues that might be raised are the company's effect on the environment, their labour standards and pay for the board of managers.

Smoothed market value, smoothing mechanism

Most shares and bonds that the fund owns change value every few minutes and the price can vary quite a lot. The fund's actuary will make an adjustment for this when valuing the fund so that extreme highs and lows are ignored.

Solvency

Whether the assets of the fund are greater than the liabilities.

Specific ethical investment

Investing in companies that do not invest in, for example, the arms trade, third-world exploitation, animal testing or tobacco, or in companies which promote environmentally-friendly products, education and training, waste management and so on.

S&P 500

A broad-based equity index made up of the 500 largest equity stocks quoted in the US.

Statutory instrument

Secondary legislation made by government ministers.

Statutory pension scheme

A pension scheme established by an Act of Parliament and run in line with statutory instruments.

Stock lending or securities lending

Shares owned are lent on the stock market to generate income. The owner keeps all benefits, except for the voting rights.

Tender

A process of assessing and choosing a business to do work on your behalf.

Time-weighted return

Estimating the performance of a fund, taking into account the effect of money coming into, or leaving the fund, during the period of time you are looking at, so those money movements don't give an inaccurate return.

Transfer value

The capital payment made from one pension fund to another when the person paying contributions changes to another pension scheme.

Transition management

Organising the complex movements of assets that happen when a scheme changes its investments or its asset managers.

Unlisted shares

Shares for companies not listed on the stock exchange.

Unrealised loss

An unrealised loss is the loss suggested when an asset was bought for more than it is currently worth, but the loss is not 'available' (or 'realised') until the asset is sold.

Unrealised profit

An unrealised profit is the profit suggested when an asset was bought for less than it is currently worth, but the profit is not 'available' (or 'realised') until the asset is sold.

Venture capital

Investments in small companies that are not listed on a stock exchange.

Vested benefits

Benefits due now and in the future to members of the fund that are already drawing their pension.

WM Company

The company appointed by most local authorities to collect performance statistics.

Yield

The yearly interest paid by a bond divided by its price. When we refer to yields, this usually means the yield on UK government bonds.

Contacts

If you would like more information, please contact one of the following people.

- About the pensions or benefits
Peninsula Pensions
Great Moor House
Bitten Road
Sowton Industrial Estate
Exeter
EX2 7NL
Phone: 01392 383000 (ask for 'pensions')
E-mail: pensions@devon.gov.uk
- About the investments or accounts
Anton Sweet
Funds and Investments Manager
Somerset Council Pension Fund
County Hall
Taunton
TA1 4DY
Phone: 01823 359584
E-mail: anton.sweet@somerset.gov.uk
- The actuary
Graeme Muir
Barnett Waddingham
163 West George Street
Glasgow
G2 2JJ
Phone: 0141 243 4400
- The auditor
Julie Masci
Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL
Phone: 029 2023 5591
E-mail: julie.masci@uk.gt.com

Web Links

The following web links provide further information and documents related to the Fund.

Further details relating to member administration, including details of the scheme can be found on Peninsula Pensions website.

www.peninsulapensions.org.uk

Further details relating to Brunel Ltd and how it is helping the Fund achieve its pooling obligations can be found on Brunel's website.

<https://www.brunelpensionpartnership.org/>

The pensions committee page of the Somerset County Council website is available using the following link. You will find all of the committee's papers and minutes on this page.

<https://democracy.somerset.gov.uk/mgCommitteeDetails.aspx?ID=197>

The pension board page of the Somerset County Council website is available using the following link. You will find all of the committee's papers and minutes on this page.

<https://democracy.somerset.gov.uk/mgCommitteeDetails.aspx?ID=198>

These accounts are also available on the internet at.

<https://www.somerset.gov.uk/finance-performance-and-legal/pensions/>

These accounts are also available in Braille, in large print, on tape and on CD and we can translate them into different languages.

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