SWT Executive

Monday, 10th February, 2020, 6.15 pm

Council Chamber - West Somerset House

Somerset West and Taunton

Members: **Federica Smith-Roberts (Chair), Benet Allen (Deputy Chair), Chris Booth, Ross Henley, Marcus Kravis, Richard Lees, Peter Pilkington, Mike Rigby and Francesca Smith**

Agenda

This matter is the responsibility of Executive Councillor for Corporate Resources, Councillor Ross Henley.

This paper is for information and provides a brief summary of current performance on a selection of key indicators.

6. General Fund Revenue Budget and Capital Estimates 2020/21 (fees and charges) (Pages 15 - 48)

This matter is the responsibility of Executive Councillor for Corporate Resources, Councillor Ross Henley.

The report sets out the draft budget estimates for 2020/21, Medium Term Financial Plan (MTFP) forecasts, and 2020/21 Capital Programme and the proposed sources of funding.

7. Capital, Investment and Treasury Management Strategies 2020/21 (Pages 49 - 112)

This matter is the responsibility of Executive Councillor for Corporate Resources, Councillor Ross Henley.

The purpose of this report is to inform members and seek approval for the Council's recommended strategies in relation to capital expenditure and financing, investments and treasury management activities.

8. Car Park Fees and Charges (Pages 113 - 120)

This matter is the responsibility of Executive Councillor for Planning and Transportation, Councillor Mike Rigby.

The purpose of the report is to advise on proposals to change car parking fees across Somerset West and Taunton Council area.

9. Homelessness and Rough Sleeper Strategy and Action Plan (Pages 121 - 214)

This matter is the responsibility of Executive Councillor for Housing, Councillor Fran Smith.

This strategy sets out the strategic goals for the four Somerset Housing Authorities including a detailed action plan to show how the strategy will be delivered.

10. Future of Local Government in Somerset Report (Pages 215 - 228)

This matter is the responsibility of the Leader of the Council, Councillor Federica Smith-Roberts.

Members will be aware that the Leader of Somerset County Council has stated that he wishes to pursue the option of a single Unitary Council for Somerset. This Report sets out the work conducted to date, looking at the options for the future of local government in Somerset, and suggests an option of further collaboration and integration as being the preferred option moving forward.

11. Access to Information - Exclusion of the Press and Public

During discussion of the following item(s) it may be necessary to pass the following resolution to exclude the press and public having reflected on Article 13 13.02(e) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. The Executive will need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

Recommend that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business on the ground that it involves the likely disclosure of exempt information as defined in paragraph 3 respectively of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

12. Disposal of Land (Pages 229 - 232)

This matter is the responsibility of Executive Councillor for Asset Management and Economic Development, Councillor Marcus Kravis.

13. Park and Ride Procurement (Pages 233 - 246)

This matter is the responsibility of Executive Councillor for Planning and Transportation, Councillor Mike Rigby.

JAMES HASSETT
CHIEF EXECUTIVE

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If an item on the agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group. These arrangements do not apply to exempt (confidential) items on the agenda where any members of the press or public present will be asked to leave the Committee Room. Full Council, Executive, and Committee agendas, reports and minutes are available on our website: www.somersetwestandtaunton.gov.uk

The meeting room, including the Council Chamber at The Deane House are on the first floor and are fully accessible. Lift access to The John Meikle Room, is available from the main ground floor entrance at The Deane House. The Council Chamber at West Somerset House is on the ground floor and is fully accessible via a public entrance door. Toilet facilities, with wheelchair access, are available across both locations. An induction loop operates at both The Deane House and West Somerset House to enhance sound for anyone wearing a hearing aid or using a transmitter. For further information about the meeting, please contact the Governance and Democracy Team via email: governance@somersetwestandtaunton.gov.uk

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EXECUTIVE

Meeting	Draft Agenda Items
10 February 2020	General Fund Revenue Budget and Capital Estimates 2020/21 (fees and charges)
(FC 19 February)	Capital, Investment and Treasury Management Strategies 2020/21
	Car Park Fees and Charges
	FOLGIS Report
	Performance Report (For Information)
	Homelessness and Rough Sleeper Strategy and Action Plan
	Disposal of Land (confidential)
	P&R Procurement (confidential)
18 March 2020	Housing Strategy - Action Plan for SWT
(FC 31 March)	District Housing Action Plan
	Transformation - Lessons Learned - Audit
	North Taunton Woolaway Project - Phase B Update and Home Owner Acquisition Budget
	Annual Business Plan 2020/21
	Pay Policy Statement
	Small Scale Industrial Space LDO
	Monkton Heathfield Phase 2 Masterplan
	CIM Funding Recommendations from HPC POB
	FHSF HIF
	CIL Allocations
	Cannington CIM Fund Transfer
	Wellington Railway Station/Metro Link
	HRA Acquisitions (confidential) 1
	HRA Acquisitions (confidential) 2
	Social Value Strategy and Priorities
	Gull Report
	Everyone Active Update
	Formation of Special Purpose Vehicle (SPV) for Commercial Trading
	Disposal of HRA Property (confidential)
	Disposal of Development Property (confidential)

22 April 2020	Hinkley Phase 3 - Housing Funding Strategy
May 2020	Somerset West and Taunton Districtwide Design Guide & Urban Design Masterplan Frameworks - Feedback
	Otterford
	Public Realm Design Guide for Taunton Garden Town – Feedback
June 2020	Commercial Investment Strategy Review
August 2020	SWT Carbon Neutrality and Climate Resilience Plan and Somerste Wide Climate Change Strategy
December 2020	Commercial Investment Strategy Review

Report Number: SWT 34/20

Somerset West and Taunton Council

Executive – 10 February 2020

Corporate Performance Report (For Information)

This matter is the responsibility of Cllr Ross Henley.

Report Author: Malcolm Riches, Business Intelligence and Performance Manager.

1 Executive Summary / Purpose of the Report

1.1 This paper is for information and provides a brief summary of current performance on a selection of key indicators.

2 Recommendations

2.1 Councillors are asked to consider the attached performance report.

3 Risk Assessment

3.1 Failure to regularly monitor performance could lead to the council not delivering on some of its corporate priorities.

4 Background and Full details of the Report

4.1 As part of the Councils commitment to transparency and accountability this report provides an update on a range of performance indicators. The format of this report will be developed further from the start of the 2020/21 financial year in order to monitor progress of the Councils Corporate Strategy and to reflect the new Directorates.

4.2 The table in Appendix 1 includes a number of the councils Key Performance Indicators and shows how the council has performed for the first 8 months of 2019/20. Some of the targets are still being finalised to take account of performance across the new council.

5 Links to Corporate Strategy

5.1 This performance report and future development of it will be a key tool for helping to monitor progress with the implementation of the Corporate Strategy.

6 Finance / Resource Implications

6.1 Headline financial indicators will be included in future reports alongside performance. The detailed budget position is contained within the separate budget monitoring paper available here (p49 onwards): https://democracy.somersetwestandtaunton.gov.uk/documents/g2305/Public%20reports%20pack%2008th-Jan-2020%2018.30%20SWT%20Scrutiny%20Committee.pdf?T=10

Democratic Path:

- **Scrutiny / Corporate Governance or Audit Committees – Yes**
- **Cabinet/Executive – Yes**
- **Full Council – No**

Reporting Frequency: ☐ **Once only** **x Ad-hoc** ☐ **Quarterly**

☐ **Twice-yearly** ☐ **Annually**

List of Appendices (delete if not applicable)

Appendix A	Performance Report (April to November 2019)

Contact Officers

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Appendix 1   Performance Report as at 30 November 2019

	Service Area & Corp Strategy Theme	Indicator	Target	As at 30 Nov	RAG	Comments
1	Transparent and customer focused Council (Planning)	% of major planning applications determined within 13 weeks (or within agreed extension of time)	75%	87.5%	Green	
2		% of minor planning applications determined within 8 weeks or agreed extension of time	65%	78.1%	Green	
3		% of other planning applications determined within 8 weeks or an agreed extension of time.	80%	80%	Green	
4		Number of planning appeals overturned	14	10 (total)	Amber	The target value is the number of appeals overturned in 2018/19.
5	Transparent and customer focused Council (Revenues and Benefits)	Council Tax Collection. % collected by 31st March	97%	79.9%	Green	Although the current figures appear below target, these are cumulative totals, and projections show that the target will be met for the year end.
6		Business Rate Collection. % collected by 31st March	97.5%	74.2%	Green	
7		Average processing times of new Housing Benefit claims only	25 days	22.5 days	Green	
8		Average processing times for changes in circumstances for Housing Benefit claims only	10 days	8.3 days	Green	
9	Homes and	Completion of Urgent housing	99%	99%	Green	

	Communities (Housing)	repairs within 24 hours (priority one)				
10		Completion of a housing repair within the timescale agreed with the tenant.	90%	88.65%	Amber	
11	Transparent and customer focused Council (Environmental Health & Licensing)	% of reported fly tipping incidents responded to within 5 working days	80%	89.05%	Green	This indicator currently only measures fly tipping incidents cleared by idverde. In the Taunton area, some fly tipping (in parks and open spaces) is cleared by the Localities team. A single performance report is being developed to report on all fly tipping.
12		% of service requests for street cleansing actioned within 5 working days	85%	92.9%	Green	
13		Licensing applications processed within timescales	95%	95.7%	Green	
14	Transparent and Customer Focussed Council	% of General calls answered within 60 seconds (in the last month) % of Deane Helpline calls answered within 60 seconds (in the last month)	80% 90%	79% 92%	Green	General – 10,187 calls handled, average speed to answer for last month was 46 seconds with an abandonment rate of 4% Deane Helpline – 29,674 calls handled with an abandonment rate of 1%
15		% of complaints responded to in 20 days	90%	46.5%	Red	This is a priority issue to be improved. Staff training is being

						developed and People Managers will support and monitor.
16		% of Freedom of Information Requests responded to in 20 days	75%	52.6%	Red	Poor performance at the start of the year is being addressed with dedicated resource and improved processes. During Oct 80% were on time and in Nov, 61%.

Report Number: SWT 35/20

Somerset West and Taunton Council

Executive – 10 February 2020

Draft General Fund Revenue Budget and Capital Estimates 2020/21

This matter is the responsibility of Executive Councillor Henley, Corporate Resources

Report Author: Emily Collacott, Finance Business Partner and Deputy S151 Officer

1 Executive Summary/Purpose of the Report

1.1 The report sets out the draft budget estimates for 2020/21, Medium Term Financial Plan (MTFP) forecasts, and 2020/21 Capital Programme and the proposed sources of funding.

1.2 The Provisional Finance Settlement was issued by Government on 20 December, and included details regarding general revenue grant funding, New Homes Bonus, and business rates retention baseline and tariff. The information arising is broadly in line with our previous expectations. The final Finance Settlement is expected to be published before Full Council meets on 19 February.

1.3 Executive is minded to implement a council tax increase of 3.17% (£5 on a Band D) in 2020/21, making the annual Band D charge £164.63. The increase in the tax rate provides an additional £282,249 income, however a reduction in the tax base equating to £27,299, results in a net additional council tax income of £254,950 compared to 2019/20.

1.4 Executive is also minded to precept £29,240 in special expenses for the Unparished Area of Taunton. This results in an annual council tax rate at £1.91 for a Band D for the Unparished Area of Taunton.

1.5 The 2020/21 draft budget also includes a prior year net Collection Fund surplus of £250,191 (£63,877 council tax deficit and £314,068 provisional business rates surplus).

1.6 On the advice of the S151 Officer, the Executive is minded to reallocate £3.5m from the Business Rates Retention Smoothing Reserve to a new Investment Risk

Reserve to reflect a change in risk profiles across the two different funding streams.

2 Recommendations

2.1 Executive notes the S151 Officers Statement on the robustness of the budget and adequacy of reserves as set out in section 21.

2.2 Executive recommends Full Council approve the Draft Revenue Budget expenditure, savings and income targets, subject to any final adjustments as may be required for new information prior to Full Council (such as the NNDR1 final estimates and the Final Finance Settlement).

2.3 Executive recommends to Full Council a basic band D council tax of £164.63, comprising £162.88 for services and £1.75 on behalf of the Somerset Rivers Authority.

2.4 Executive recommends Full Council approve the new capital schemes of the General Fund Capital Programme Budget of £12.015m for 2020/21, as set out in Appendix A and Table 10.

2.5 Executive approve a virement from the Capital Project for Transformation and Office 365 to the project for the Change Programme in the 2019/20 budget of £774k.

2.6 Executive recommends Full Council approves the reallocation of £3.5m from the BRR Smoothing Reserve to the Investment Risk Reserve.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
Risk: The Council is unable to set a balanced budget	Slight (2)	Major (4)	Medium (8)
Mitigation: Members approve options to balance the budget	*Very Unlikely (1)*	*Major (4)*	*Low (4)*

Risk Scoring Matrix

Likelihood	5	Very Likely	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Feasible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Slight	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Very Unlikely	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic

	Impact	
Likelihood of risk occurring	**Indicator**	**Chance of occurrence**
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background Information

4.1 The General Fund Revenue Account is the Council's main fund and shows the income and expenditure relating to the provision of services which residents, visitors and businesses all have access to including planning, environmental services, car parks, certain housing functions, community services and corporate services.

4.2 The Council directly charges individual consumers for some of its services through fees and charges. The expenditure that remains is mainly funded through a combination of local taxation (including council tax and a proportion of business rates) and through grant funding from Central Government (including Revenue Support Grant, New Homes Bonus and other non-ring-fenced and specific grants/subsidy).

4.3 Each year the Council has to set an annual budget which details the resources needed to meet operational requirements. The annual budget should be prepared within the context of priorities and objectives identified by Members which are embedded in the Council's current Corporate Plan.

4.4 The Draft Budget included in this report sets out a proposed balanced budget position for 2020/21. This includes additional expenditure to meet identified cost pressures and bids to support new spending, as well significant savings plans and short term support to the budget using New Homes Bonus reserves. Funding through business rates and New Homes Bonus is expected to reduce significantly over the next two years. The agreed Financial Strategy, and the draft budget and MTFP in this report set out plans to meet this challenge.

4.5 Members have previously considered a range of important reports that provide background on the Council's financial position and the financial strategy for 2020/21.

5 Provisional Finance Settlement 2020/21

5.1 The **Provisional Settlement**, which provides the level of funding set by Government through business rates retention and general grants, was announced on 20 December 2019. The information arising is broadly in line with our previous expectations, with the main headlines being:

(a) **Council Tax** – Government has confirmed district councils may increase council tax by up to the greater of £5 or 1.99% a year.
(b) **Revenue Support Grant** – Confirmed as £6,444, slightly higher than our previous estimate of £6,340 due to an inflation factor being applied. Government has again mitigated the potential "negative RSG" which would have reduced our funding by £128,000.
(c) **Rural Services Delivery Grant** – Confirmed as £241,506, no change to our previous estimates.
(d) **New Homes Bonus** – provisional grant for 2020/21 confirmed as £3,253,289, which is £38,529 higher than previous estimates. Information included with the Settlement confirms the 2020/21 'increment' within the NHB calculation will be for one year only – not four years as per previous years. It also indicates (but subject to future Finance Settlements) that the legacy payment from the 2018/19 and 2019/20 allocations will apply for four years, therefore the S151 Officer is minded to add the projected income back into the MTFP forecasts for 2021/22 and 2022/23, totalling £2.5m over the two years.
(e) **Business Rates Retention** – Baseline and Tariff allocations in line with our previous estimates. Local estimates for total business rates income are due to be completed by the end of January 2020 which will determine the net income retained by SWT including growth above the baseline and potential Pooling gains.

5.2 These changes have been reflected in the MTFP and explanations are provided in the body of this report. Though at the time of writing the report we are waiting for the NNDR1 to be completed for the final business rates retention figures to be completed, these will be included in the final budget reports.

5.3 The date of the Final Settlement has not been confirmed but is expected to be before the Council is due to approve the final budget on 19 February.

6 General Grant Funding

6.1 The grant funding from Government is roughly in line with previous MTFP projections. The Revenue Support Grant (RSG) in 2020/21 is £6,444 and there is no change to the previous estimates for the Rural Services Delivery Grant which remains at the 2019/20 settlement level. Government has confirmed that 'Negative' Revenue Support Grant will be offset in 2020/21. Overall there is a less than 0.1% increase in general revenue grant funding from 2019/20:

Table 1 – General Government Grant

	2019/20 £	2020/21 £	Change £	
Revenue Support Grant	6,340	6,444	104	1.6%
Rural Services Delivery Grant	241,506	241,506	-	-
Total General Revenue Grant	**247,846**	**247,950**	**104**	**0.05%**

6.2 The following table summarises how overall settlement funding has changed since 2015/16 (for comparison purposes the years 2015/16 to 2018/19 incorporate the combined funding assessments for Taunton Deane and West Somerset Councils). During this period the Settlement reduces by 34% in cash terms.

Table 2 – Settlement Funding (General Grants and Business Rates)

	15/16 £k	16/17 £k	17/18 £k	18/19 £k	19/20 £k	20/21 £k
RSG	2,751	1,785	962	450	6	6
RSDG	46	240	194	242	242	242
Transition Grant	0	17	17	0	0	0
BR Baseline	3,550	3,579	3,652	3,762	4,096	3,911
Government Settlement	**6,347**	**5,621**	**4,825**	**4,454**	**4,344**	**4,159**

7 Business Rates Retention

7.1 Local authorities receive a significant proportion of their funding through the Business Rates Retention (BRR) system. SWT operates within the Somerset Business Rates Pool. In 2019/20 the Pool applied successfully to be a Pilot area for 75% BRR (one of 16 pilots nationally in 2019/20) which is for one year only and therefore reverts to a 50% BRR Pool in 2020/21.

7.2 The Provisional Finance Settlement in December 2019 confirmed that Baseline and Tariff allocations are in line with our previous estimates. Local estimates for total business rates income are not yet completed at the time of writing the report and are due to be completed by the end of January 2020. These will determine the net income retained by SWT including growth above the baseline and potential pooling gains.

7.3 A summary of the 2020/21 Retained Funding estimate is shown in the table below. This will be updated following completion of the NNDR1.

Table 3 – Business Rates Retention Provisional Estimates

Business Rates Retention Provisional Funding Estimates	**2020/21 Provisional Estimates £**
Share of Business Rates Yield	23,187,720
Rates yield from renewable energy	208,265
Tariff to Government	-18,394,766
Levy Payment	-1,191,061
S31 Grant funding for Reliefs	2,100,000
Net Retained Business Rates Funding	**5,910,158**
Net Retained Rates Funding as % of yield	10.2%

7.4 Subject to completion of the NNDR1, provisional indications are that the Council could gain approximately an additional £1m through the Business Rates Pool next year. Final estimates will be reflected in the final budget report to Council in February.

8 New Homes Bonus

8.1 The New Homes Bonus (NHB) Grant system has been in place since 2011/12. It is funding allocated by Government, separate to Revenue Support Grant and Business Rates, which incentivises and rewards housing growth. The NHB grant is non-ring-fenced which means that the Council is free to decide how to use it. The Council only intends to use part of its NHB allocation each year towards the revenue budget for services. The remaining grant will be allocated to the Growth Earmarked Reserve to fund project resources and schemes within the Capital Programme.

8.2 The confirmed NHB Grant for 2020/21 is £3,253,289 which is £555,861 or 15% less than comparable amount for 2019/20. Whilst this is a reduction, it is slightly above our initial budget estimates included in previous reports.

Table 4 – New Homes Bonus 2020/21

	2019/20 £	2020/21 £
New Homes Bonus Grant	**3,809,150**	**3,253,289**
Amount for core revenue budget	720,000	400,000
Transfer to growth reserve	3,089,150	2,853,289
Planned transfers in 2020/21 from the Reserve:		
Project resources	513,000	513,000
Contribution to operational staff costs		1,450,000
Contribution from NHB reserve to General Reserves	0	300,000

8.3 The growth baseline remains at 0.4%, which sees a “top-slice” for growth which does not attract any NHB grant. Each year’s growth used to attract grant for 4 years but this is not expected to continue. The annual growth ‘increment’ in 2020/21 is for one year only. Table 5 below shows the current forecast within the current MTFP. We have assumed that the legacy payments will continue for the financial years 2021/22 and 2022/23 though it should be noted that these payment are not guaranteed and could be removed in future funding settlements.

Table 5 – New Homes Bonus Grant Forecast

	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
2016/17	841					
2017/18	1,258	1,258				
2018/19	858	858	858			
2019/20	851	851	851	851		
2020/21		286	0	0	0	
Total	**3,808**	**3,253**	**1,709**	**851**	**0**	**0**

9 Council Tax

9.1 The Provisional Finance Settlement has confirmed that Shire Districts are able to increase council tax by the greater of 1.99% or £5 (on a Band D) in 2020/21 without the need for a referendum.

9.2 Executive are minded to recommend the option to increase Band D Council Tax to £162.88 which equates to the £5 annual increase on the current SWT rate of £157.88, and this is reflected in the proposed budget for 2020/21. The SWT total Band D tax rate including £1.75 for Somerset Rivers Authority will be £164.63 per year or £3.16 per week. This represents an increase of 3.17%.

9.3 The approved Tax Base for 2020/21 is 56,449.87 Band D Equivalents, a decrease of 172.9 (0.31%) compared to the 2019/20 tax base. The main reasons the tax base has reduced is that housing growth in the previous year was over-estimated and eligible claims for Council Tax Support discounts has increased. The budget estimates for Council Tax income for SWT is therefore 56,449.87 x £162.88 =

£9,194,555. This represents a total increase of £254,950 compared to the previous year. The budget estimates are calculated as follows.

	£
Council Tax Income Budget 2019/20	8,939,605
Decrease due to change in Tax Base (Band D equivalents)	-27,299
Increase due to proposed increase in Tax Rate	282,249
Council Tax Income Estimate 2020/21	9,194,555
Amount raised for Somerset Rivers Authority (see below)	98,787
Overall Total SWTC Council Tax Precept	9,293,342

10 Somerset Rivers Authority

10.1 The Somerset Rivers Authority (SRA) remains unable to raise their own precept and it is therefore proposed to follow the same arrangements as previous years. For 2020/21 it is proposed that the Band D amount will remain at £1.75 and this will raise £98,787 in funding for the SRA from the Council in 2020/21.

11 Special Expenses/Unparished Area Budget

11.1 From 2020/21 the Charter Trustees are required to precept directly for mayoralty and related civic costs plus their own governance/admin costs. The Executive also wishes to maintain an element of special expenses for the unparished area related to local service costs that a town/parish might provide if in existence but is beyond the scope of the Charter Trustees.

11.2 The Council's tax rate baseline has to be adjusted for mayoralty costs that were funded through the special expenses raised by SWT in 2019/20. The adjustment amount is a decision made by the Secretary of State through the Finance Settlement, and the S151 Officer has provided information to MHCLG to facilitate this. A formal decision is expected to be announced in February 2020.

11.3 The adjustment impacts on the calculation of tax increases and any potential referendum if the overall tax rate for SWT increases by more than £5. It is therefore proposed to set the Band D special expenses rate at the adjusted value. There is no such restriction on any increase or decrease in the tax rate set by the Charter Trustees, but they may only precept for costs specific to the Mayoralty, related civic functions and their own governance and administration.

11.4 If the current precept for special expenses is adjusted for the transfer of costs related to the mayoralty and directly related costs to Chartered Trustees, this leaves £29,319 as funded by special expenses this year which works out as £1.91 per unparished area band D equivalent. (Note: For referendum purposes we have to measure this as though it is a charge for the whole area, which equates to £0.52 for Band D.)

11.5 For 2020/21, the Tax Base is as follows:

Unparished Area Tax Base in 2020/21 = 15,308.18 Band D equivalents
Whole Area Tax Base in 2020/21 = 56,449.87 Band D equivalents

11.6 The Chartered Trustees set their budget for 2020/21 on 23rd January 2020. For information, their proposed budget is £51,140 which works out as a precept of £3.34 per band D equivalent in the unparished area.

11.7 The total Special Expenses proposed to be raised by SWT for the unparished area, but not related to the Charter Trustees, is £29,240. This results in a Band D rate of £1.91 i.e. no increase on the adjusted rate following the transfer of mayoralty costs.

11.8 The total proposed charges per Band D equivalent to unparished households, for special expenses raised by the Council and the separate Charter Trustees precept, is therefore £5.25:

SWT Special expenses	£1.91
Chartered Trustees Precept	£3.34
Total	**£5.25**

11.9 This is an increase of £2.23 (74%) compared to the 2019/20 SWT special expenses charge of £3.02 per band D equivalent.

12 2020/21 Draft Budget Summary

12.1 The following tables provides a summary of the Budget position for 2020/21.

Table 6 – General Fund Draft Budget Summary

	2019/20 £	**2020/21 £**
Total Spending on Services	14,752,279	17,229,828
Somerset Rivers Authority Contribution	99,090	98,787
Revenue Contribution to Capital	375,000	15,000
Capital Debt Repayment Provision (MRP)	455,010	505,010
Interest Costs	168,530	214,640
Interest Income	-642,000	-875,750
Parish Precepts	2,072,282	2,072,282
Special Expenses	46,399	29,240
Transfers to Earmarked Reserves	5,923,781	1,467,415
Transfer to Economic Growth and Prosperity Fund	1,200,000	0
Transfer to General Reserves	0	300,000
AUTHORITY EXPENDITURE	**24,450,371**	**21,056,452**
Retained Business Rates (including pool and pilot 2019/20)	-6,528,746	-5,910,158
Somerset BRR Pilot	-1,200,000	0
Share of Levy Surplus	-59,037	0

	2019/20 £	2020/21 £
Revenue Support Grant	-6,340	-6,444
Rural Services Delivery Grant	-241,506	-241,506
New Homes Bonus	-3,809,150	-3,253,289
Surplus(-)/Deficit on Collection Fund – Council Tax	-116,311	63,877
Surplus(-)/Deficit on Collection Fund – Business Rates	-1,331,905	-314,068
Demand on Collection Fund – Parishes and SER	-2,118,681	-2,101,522
Total Council Tax Raised by Council	**9,038,695**	**9,293,342**
Divided by Council Tax Base	56,622.8	56,449.87
Council Tax Band D – SWT Services	**157.88**	**162.88**
Council Tax Band D – Somerset Rivers Authority	**1.75**	**1.75**
Council Tax Band D – SWT including SRA	**159.63**	**164.63**
Cost per week per Band D equivalent	**3.05**	**3.16**

12.2 The table below shows the movement in spending and funding between 2019/20 and 2020/21:-

Table 7 – Summary of Budget Changes in 2020/21

	£k	£k
Net Expenditure Base Budget 2019/20		**24,450**
Inflation costs	614	
Pension contributions increase	45	
Remove one-off items from 2019/20 Budget	-884	
Leisure Contract savings	-302	
Other Service Changes	691	
Homelessness	155	
Staffing Costs	2,450	
Asset Management	200	
Park and Ride	230	
Environment Strategy Development	75	
Local Plan	82	
Additional one-off Contribution to Citizens Advice	33	
Harbour Dredging	43	
Clean Sweep	40	
Increased IT Costs	148	
Change Programme	408	
Contingency	50	
Commercial Investment Income	-840	
Fees and Charges – Car Parks	-500	
Commercialism and Services Income	-60	
Procurement Savings	-200	
Reduction in Revenue Contribution to Capital	-360	
Financing Costs (net income and repayment of debt)	-138	

	£k	£k
Reduction in Unparished Area Precept	-17	
Subtotal costs		**1,963**
Remove One-off Contribution to Economic Growth and Prosperity Fund (75% Pilot gain)	-1,200	
Transfer to Business Rates Smoothing Reserve	-33	
Reduction in NHB contribution to reserves	-1,986	
Remove previous year transfers to reserves	-2,834	
Contribution to Investment Risk Reserve	400	
Contribution to General Reserves	300	
Other Reserve Adjustments	-3	
Subtotal Reserve movement		**-5,356**
Net Expenditure Base Budget 2019/20		**21,057**

	£’000	**£’000**
Total Funding 2019/20		**-24,450**
Increase in RSG	0	
Decreased Retained Business Rates	618	
Reduction in Somerset Rates Pooling Gain	1,200	
Reduction in Levy Surplus	59	
Reduction in NHB	556	
Increased funding from Council Tax	-255	
Reduction in Unparished Area Precept	17	
Collection Fund	1,198	
Subtotal - change in funding		**3,393**
Total Funding 2020/21		**-21,057**

12.3 Below is a short description for each bid:

a) **Inflation Costs:** This includes inflation for staffing costs, major contract and utilities.

b) **Pension Contributions:** The last tri-annual review of the pension fund includes an increase to the contribution towards the pension deficit. This will be reviewed when the results of the current review are published – expected imminently.

c) **Remove one-off items from 2019/20 Budget**: The 2019/20 included one-off items which need to be removed for 2020/21.

d) **Leisure Contract**: Saving from the new leisure services contract which commenced during 2019/20.

e) **Other Services Changes**: Various changes to service budget following a review of 2019/20 budgets versus spend.

f) **Homelessness**: The cost of Bed and Breakfast expenditure is forecast to exceed the budget in 2019/20. Currently this is expected to continue and therefore the increase needs to be built into future budgets. Officers are investigating options to mitigate the increase in the budget and a more detailed explanation is included within the Financial Monitoring report presented to Executive on 22 January 2020.

g) **Staffing Budget:** As reported to Full Council on the 3 December 2019, the Council's leadership team identified ongoing financial pressures in order to protect service standards and maintain capacity whilst completing the safe delivery of expected service process efficiencies and greater customer access to self-service. The Council is requested to support a continuation of additional staff capacity for a longer period (12-18 months) to ensure services continue and standards are maintained during a longer transition period. A cost reduction is required in future years as the Change Programme drives forward to deliver the service process efficiencies and demand management benefits anticipated.

h) **Asset Management:** Following a review of assets additional funding is required, for reactive work needed, to maintain the Council's assets.

i) **Park and Ride:** Proposed funding to maintain the Park and Ride (a separate report was considered by the Executive on 18 December 2019). The MTFP includes a forecast for this cost continuing on an ongoing basis for financial planning purposes, however formal approval is sought at this stage for 2020/21 budget only.

j) **Environment Strategy Development**: To enable the Council to progress its climate and environmental commitments whilst the strategy is being progressed, this budget allocation provides additional capacity to deliver early progress on strategy development and development of plans and business cases for further consideration. This stand-alone allocation does not represent the entirety of the Council's investment in services and projects that seek to further the Council's environmental objectives.

k) **Local Plan**: To enable the Local Plan work to be undertaken (a separate report was considered by the Executive on 20 November 2019).

l) **Citizens Advice Bureau (CAB) - further contribution**: A one-off additional contribution for 2020/21 only (a separate report with more detail was presented to the Executive on 28 January 2020).

m) **Dredging – outer harbour at Watchet**: The current budget is £7k per annum based on the legacy budget position for West Somerset Council. The increase to £50k would allow for two dredges next year and then one dredge per annum thereafter, when the base budget is proposed to reduce to £25k. In future the ambition is to increase the ongoing budget to £50k if affordable.

n) **Clean Sweep**: To enable a regular "spring clean" of the larger towns within the district.

o) **Increased IT Costs:** This includes increased costs for telephony and essential network support required.

p) **Change Programme:** £85k relates to the ongoing support and maintenance for Microsoft 365 licences and £323k one-off costs for the projects to upgrade and improvement of the finance system and to implement Microsoft 365.

q) **Contingency:** A small contingency of £50k is included, pending finalisation of the budget plan for 2020/21 and for in-year unforeseen costs.

r) **Commercial Investment Income:** The Council approved a new commercial investment strategy after considering the **confidential** report to the Full Council meeting on 17 December 2019.

s) **Fees and Charges – Car Parking**: A separate report detailing the changes is being considered on this agenda.

t) **Commercialism and Services Income:** A target set for increase income from other fees and charges and/or other service income.

u) **Procurement Savings:** The agreed financial strategy set a target for procurement savings and within 2020/21 the majority of this will be met from the recent procurement of a new Insurance contract for the Council.

v) **Reduction in Revenue Contribution to Capital**: The revenue budget includes a contribution to the Capital Programme for recurring capital spend. This has been reduced for 2020/21 and 2021/22 and other sources of financing (capital receipts and borrowing) sought for the relevant capital spend.

w) **Financing Costs (net income and repayment of debt):** This is the net change in treasury investment income the cost of repayment of debt.

x) **Reduction in Unparished Area Precept:** See section 11 of this report.

y) **Reserve Movements**: These include contributions to and from both earmarked and general reserves.

13 Medium Term Financial Plan (MTFP) Summary

13.1 The current MTFP forecast is summarised below, reflecting the proposed budget for 2020/21 and the updates described in this report.

Table 8 - Draft MTFP Summary 2019/20 to 2024/25

	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £
Services Costs	14,752,279	17,229,828	15,416,966	14,951,256	15,521,686	16,218,479
Net Financing Costs	356,540	-141,100	11,260	508,370	291,480	284,590
SRA Contribution	99,090	98,787	99,775	100,773	101,780	102,798
Special Expenses	46,399	29,240	0	0	0	0
Earmarked Reserves-Growth	3,089,150	2,853,289	1,509,342	851,411	0	0
Earmarked Reserves-Other	2,834,631	-1,385,874	-1,000,000	0	0	0
Economic Growth and Prosperity	1,200,000	0	0	0	0	0
General Reserves	0	300,000	0	0	0	0
Net Expenditure	**22,378,089**	**18,984,170**	**16,037,343**	**16,411,810**	**15,914,946**	**16,605,867**
Retained Business Rates	-6,528,746	-5,910,158	-3,989,206	-4,067,579	-4,145,952	-4,224,325
Business Rates prior year surplus/deficit	-1,331,905	-314,068	0	0	0	0
Somerset BRR Pilot	-1,200,000	0	0	0	0	0
BRR Levy Account Surplus	-59,037	0	0	0	0	0
Revenue Support Grant	-6,340	-6,444	0	0	0	0
Rural Services Delivery Grant	-241,506	-241,506	-241,506	-241,506	-241,506	-241,506
New Homes Bonus	-3,809,150	-3,253,289	-1,709,342	-851,411	0	0
Council Tax	-8,939,605	-9,194,555	-9,472,938	-9,759,992	-10,055,329	-10,359,716
Council Tax–SRA	-99,090	-98,787	-99,775	-100,773	-101,780	-102,798
Council Tax–Special Expenses	-46,399	-29,240	0	0	0	0
Council Tax prior year surplus/deficit	-116,311	63,877	0	0	0	0
Net Funding	**-22,378,089**	**-18,984,170**	**-15,512,767**	**-15,021,261**	**-14,544,567**	**-14,928,345**
Budget Gap	**0**	**0**	**524,576**	**1,390,549**	**1,370,379**	**1,677,522**
Gap – Change on Previous Year	0	0	524,576	865,973	-20,170	307,143

Note: The 2019/20 figures in this table relate to the Original Budget approved in February 2019 and do not reflect in-year approved budget changes.

14 Fees and Charges

14.1 The Council’s Constitution delegates the approval of Fees and Charges (with the exception of Car Parks) to the S151 Officer. Therefore the increase in all other fees and charges will be approved by the S151 Officer prior to the Executive meeting on 10th February 2020, in consultation with the Corporate Resources Portfolio Holder. Fees and charges are set on the principles of full cost recovery where appropriate or an inflationary increase in line with the financial strategy approved by the Executive.

14.2 A separate report on the proposed changes to Car Parking Fees is on the agenda and the proposals include an increase in income of £500k.

15 General Reserves

15.1 The current reserves position is shown below. Recent forecast outturn projections for the 2019/20 budget predict an overspend of £36,000. In addition it has been approved that £65,000 of General Reserves is used to fund climate change (£15k) and Economic Development (£50k) in 2019/20. The table below therefore gives a provisional forecast of the reserves position at the start of the next financial year at £2.756m.

15.2 The level of reserves are projected to be below the recommended Operational minimum level. Given the future funding risks it is strongly advised to maintain reserves above the minimum and therefore it is recommended to transfer £300k from the NHB reserve into General Reserves during 2020/21.

Table 9 – General Reserves Balance

	£k
Balance Brought Forward 1 April 2019	2,857
2019/20 Projected Outturn Overspend	-36
2019/20 Approved transfer to date	-65
Projected Balance 31 March 2019	**2,756**
Budgeted transfer in 2020/21	300
Project Balance after transfer in 2020/21	**3,056**
Recommended Operational Minimum Balance	3,000
Projected Balance after transfer above recommended minimum	56
Recommended Financial Resilience Minimum Balance	2,400
Projected Balance above recommended minimum	656

16 Investment Risk Reserve

16.1 It is proposed to realign some earmarked reserve balances to reflect up to date financial risks.

16.2 Commercial Investment – The Council approved a new commercial investment strategy after considering the **confidential** report to the Full Council meeting on 17 December 2019. This will result in an increasing reliance on investment income to fund services in future. As with any investment this strategy is not risk-free, for example rental income may be susceptible to voids. It is proposed to build up financial resilience to mitigate this risk through a new Investment Risk Reserve, through a combination of reallocating existing reserves and setting aside a proportion of future investment income. The S151 Officer considers the risk in respect of business rates funding volatility is reducing (see below), which provides an opportunity to reallocate £3.5m from the BRR Smoothing Reserve to the Investment Risk Reserve in 2019/20. The MTFP includes plans to then allocate an amount each year to this reserve, with the aim of accumulating a balance of £6m-

£7m in the medium term.

Table 10 – Investment Risk Reserve

	Allocations to Reserve £k	Forecast Balance £k
2019/20 – Transfer from BRR Reserve	3,500	3,500
2020/21 – Budgeted set aside from investment income	400	3,900
2021/22 – Budgeted set aside from investment income	520	4,420
2022/23 – Budgeted set aside from investment income	420	4,840
2023/24 – Budgeted set aside from investment income	420	5,260
2024/25 – Budgeted set aside from investment income	420	5,680

16.3 Business Rates Smoothing Reserve – This Reserve currently holds a balance of £6.4m (April 2019), and is expected to remain at or above this level next year. The reserve provides funding to mitigate risk of fluctuations in funding levels and offset accounting timing differences. With the Business Rates Retention budget estimates reducing to the Baseline in 2021/22 within the MTFP the assessment of the S151 Officer is that the impact of potential volatility on the budget is reduced. The risk is also considered to have reduced following the Court judgement finding against NHS Foundation Trusts claim for mandatory 80% charitable relief on their business rates (although the claimant may still appeal). On this basis it is considered prudent to reallocate £3.5m from this reserve to the Investment Risk Reserve, whilst leaving a prudent balance to be reviewed once the future business rates retention funding arrangements have been clarified for 2021/22 onwards.

17 2020/21 General Fund Capital Programme

17.1 The current General Fund Capital Programme in 2019/20 includes approved projects totalling £56.7m and is shown in Appendix A.

17.2 Within the 2019/20 capital programme it is recommended that the £100k for M365 and £674k for Transformation already within the Capital Programme are Vired to fund the capital costs relating to the current change programme of £774k. At the time of writing a supplementary approval of £200k will be requested at Full Council on 27th January 2020 for the East Quay Wall.

17.3 The recommended General Fund Capital Programme for 2020/21 totals £12.02m. Table 11 table summarises the General Fund bids that have been presented by services for consideration.

Table 11 – 2020/21 Capital Bids

Scheme	2019/20 Cost £k	2020/21 Cost £k	Proposed Funding RCCO £k	Grants/ CIL/S106 £k	Growth Reserve £k	Capital Receipts £k	Borrowing £k
Leisure Grants to Clubs and Parishes		15	15				
Vehicle Replacement		152				152	
Plant and Equipment		23				23	
New/Replacement Waste Containers		100				100	
Lifeline Equipment		25					25
Refresh of End User Devices		30					30
Members IT Equipment Replacement		4					4
Replacement Play Equipment		64					64
Wellington Sports Centre Air handling Units		253					253
East Quay Wall*	200	540					740
Change Programme: Microsoft 365 Migration/Finance Upgrade	774	0				327	447
Resources for Change Programme		360				360	
Disabled Facilities Grants(DFGs)		1,274		1,274			
Sub-Total	**974**	**2,840**	**15**	**1,274**	**0**	**962**	**1,563**
Major Transport Schemes		875			875		
Employment Site Enabling & Growth		300			300		
Taunton Flood Alleviation		2,500			2,500		
Growth Sub-Total	**0**	**3,675**	**0**	**0**	**3,675**	**0**	**0**
Cycle and Pedestrian Improvements		500		500			
Education Provision		3,500		3,500			
Public Transport Improvements		1,000		1,000			
Taunton Town Centre Regeneration		500		500			
CIL Sub-Total	**0**	**5,500**	**0**	**5,500**	**0**	**0**	**0**
Total	**974**	**12,015**	**15**	**6,774**	**3,675**	**962**	**1,563**

*Approval for this scheme sought Executive 22 January 2020 and Full Council 27 January 2020

17.4 Below is a short description for each scheme:

a) **Leisure Grants to Clubs and Parishes:** These grant schemes allow us to award funds towards projects they are facilitating within their local communities. Voluntary Village Halls and Community Centre and Sports Clubs are awarded up to 33% of the project costs and Parish Councils are awarded up to 50% of the project costs.

b) **Vehicle Replacement:** The cost of a rolling programme to replace vehicles used by the locality champions.

c) **Plant and Equipment:** To replace plant and equipment items of small capital value used by the locality champions.

d) **New/Replacement Waste Containers:** To purchase new and replacement waste and recycling containers (bins and boxes) as part of the ongoing costs of the Somerset Waste Partnership.

e) **Lifeline Equipment:** Lifeline units have a useful life of approximately 7 years, this is the cost to replacement the equipment on a rolling basis with approximately 1/7th of stock replaced per annum.

f) **Refresh of End User Devices:** Annual refresh budget which plans for laptops and tablets to be replaced on a rolling five year basis and smart devices every three years.

g) **Members IT Equipment Replacement:** An annual budget for replacement of IT equipment for members.

h) **Replacement Play Equipment:** To maintain the Council owned playgrounds within the Somerset West and Taunton Council area.

i) **Wellington Sports Centre Air Handling Units:** Responsibility of plant remains with SWT. The current plant is more than 40 years old and as part of the recent procurement for a new leisure operator SWT committed to replacing the equipment following a condition survey recommendation.

j) **East Quay Wall:** Overall cost estimates are £740k, and approval is sought to allocate £200k in the 2019/20 budget as work is planned to commence before April 2020. A detailed report was presented to the Executive on 22 January 2020.

k) **Change Programme Microsoft 365 Migration / Finance Upgrade:** Capital costs for the projects to upgrade and improve the finance system and to implement Microsoft 365.

l) **Resources for Change Programme:** It is recommended to fund the project resources required for the Change Programme from flexible capital receipts.

m) **Disabled Facilities Grants (DFGs):** Enabling people to remain in their own homes by having access to facilities in and around the home. The Council has a statutory duty to deliver the grants under the Housing Grants, Construction and Regeneration Act 1996. The Regulatory Reform (Housing Assistance) Order 2002, and the Housing Act 2004. Funding is passed through to SWTC by SCC from the Better Care Funding provided by Government.

n) **Growth Funded Projects:** See section 19 below

o) **CIL Funded Projects:** See section 20 below.

18 Funding the General Fund Capital Programme

18.1 Funding of capital investment by the Council can come from a variety of sources:

- Capital Receipts
- Grant Funding

- Capital Contributions (e.g. from another Local Authority / s.106 Funding, CIL)
- Revenue budgets/reserves (often referred as RCCO – Revenue Contributions to Capital Outlay)
- Borrowing

18.2 Table 11 above summarises the proposed funding of the Capital Programme for 2020/21.

Funding Sources Explained

18.3 Capital Receipts General: These come from the sale of the Council's assets. The Council also receives regular receipts from the sale of Council Houses (Right to Buys), and a proportion is retained by the General Fund.

18.4 Capital Receipts Housing (non-HRA): These are capital receipts received which are ring-fenced to be spent on affordable housing initiatives. The principle has been supported by Full Council that any future external funding received for affordable housing should be allocated to affordable housing projects and automatically added to the Capital Programme.

18.5 Grant Funding: The Council receives capital grant for Disabled Facilities Grant. This funding is now rolled into the Better Care Fund (BCF) and it is the responsibility of the commissioners of the fund – the Clinical Commissioning Group (CCG) and Somerset County Council – to decide how the money is allocated. The Council has representation on various groups to try and ensure our interests are protected.

18.6 Capital Contributions: This could take the form of capital contributions from other authorities or developers in the form of s.106 funding or Community Infrastructure Levy (CIL).

18.7 Revenue Funding (RCCO): The Council's draft budget includes an annual sum of to fund capital expenditure from General Fund revenue budgets which for 2020/21 this is £15k, if supported through the approval of the 2020/21 Capital Programme, would be affordable.

18.8 Borrowing: This would be in the form of taking out a loan either from the markets or through the PWLB which would incur interest costs chargeable to the revenue budget. The revenue implications of the proposed borrowing of £1.563m inlcuded in Table 11 above is included with the current MTFP estimates. There is also "internal borrowing" which is treated the same as external borrowing for funding purposes, but uses cash balances rather than taking out a physical loan.

18.9 Capital Reserve: The Council has an earmarked Capital Reserve holding revenue resources previously set aside to fund capital spending. We currently hold no unallocated capital reserves.

19 Capital Programme for Growth and Regeneration 2020/21

19.1 SWTC (and formerly TDBC) has previously approved the allocation of £16.6m of New Homes Bonus (NHB) funding over the five year period 2016/17 to 2020/21, to support its priorities relating to growth and regeneration. A number of spend categories were approved, as follows:

- Taunton Strategic Flood Alleviation
- Major Transport Schemes
- Town Centre Regeneration
- Employment site enabling and promoting enterprise and innovation
- Marketing, promotion and inward investment
- Supporting urban extension delivery
- Preparation of Local Development Orders

19.2 Given the uncertainty of future New Homes Bonus receipts the spend allocated to NHB has been reviewed and remains within the principles of spending in the report to the Executive dated 3 December 2015. This highlighted the fact that the profile of spending over the five year period was indicative and would be refreshed annually, to ensure that spending plans remained aligned with an evolving picture of external funding secured, opportunities for new funding and new growth priorities.

19.3 The period of the report has been extended to 2021/22 to show indicative spend and NHB grant receipts in that financial year.

Table 12 - Indicative Growth and Regeneration Spend Profile – Per NHB Forecast as at January 2020

	2016/17 Actual £k	2017/18 Actual £k	2018/19 Actual £k	2019/20 Forecast £k	2020/21 Indicative £k	2021/22 Indicative £k	Totals £k
Major transport schemes	0	0	857	0	2,375	925	**4,157**
Taunton Town Centre regeneration	14	161	1,888	2,487	288	0	**4,838**
Employment site enabling and innovation to promote Growth	0	16	48	625	100	0	**789**
Taunton Strategic Flood Alleviation	0	152	93	77	2,500	500	**3,322**
New Garden Communities	0	0	0	0	0	0	**0**
Marketing Promotion and Inward Investment	102	110	-14	0	0	0	**198**
Preparation of LDO's	59	0	0	0	0	0	**59**
Total expected investment	**175**	**439**	**2,872**	**3,189**	**5,263**	**1,425**	**13,363**

19.4 Within the revised £13.4m allocation, members will note that changes to the prior year profile are now proposed in some categories, namely:

- **Major Transport Schemes** – remains £4.1m due to the planned £1.5m contribution to the J25 improvement scheme in 2020/21 in line with the anticipated delivery of this project, Toneway Corridor Phase 1 (£1m), Rapid Bus Link (£500k) and indicative provision of £300k for other potential schemes).
- **Taunton Town Centre Regeneration** - overall allocation increased due to Firepool Infrastructure and Master planning costs (£1.1m)
- **Employment sites, enterprise and innovation** – Significant reduction (£3m) due to Nexus 25 Site enabling being removed from the spend profile. Retains £300k for Innovation Centres.
- **Taunton Strategic Flood Alleviation -** The allocation towards the Flood Alleviation project has been reduced by reallocation of £2m for this scheme to be funded by CIL.

19.5 The affordability of the above capital investment relies on future NHB receipts as forecast in this report (section 8.3, Table 5 above). Further funding pressure will be placed on this programme if NHB is not forthcoming in 2021/22 and 2022/23, resulting in the need to reduce commitments or fund through other capital resources.

20 Community Infrastructure Levy (CIL)

20.1 The former TDBC introduced a Community Infrastructure Levy (CIL) on 1 April 2014. CIL is a tariff charged on residential development (excluding Taunton town centre and Wellington) and retail development outside Taunton and Wellington town centres. The principle behind CIL is that most development has some impact on infrastructure and the developer should contribute to the cost of providing or improving it. CIL applies to new floor space and charges are based on the size, type and location of the new development.

20.2 SWTC Shadow Council approved future CIL allocations for 2019/20 to 2022/23 on 21 February 2019. The report detailed proposed CIL allocations of £15.5m for the period 2019/20-2022/23 for member approval. The CIL allocations are to support current funding bids (HIF and High Street Fund) to deliver key infrastructure projects for the Taunton Garden Town and are in addition to the £16.6m (£13.4m indicative based on available resources to 2021/22) New Homes Bonus already planned towards delivering the Council's growth agenda. The CIL allocations have been rolled forward from 2019/20 to ensure these remain available to support current funding bids and the overall total forecast CIL allocations remain as £15.5m.

20.3 As at 22nd January 2020 the CIL strategic pot holds approximately £4.84m in CIL receipts. The proposed CIL allocations for the period 2020/21 to 2024/25 are set out in the table below, including amounts to be rolled forward from the 2019/20 approval.

Table 13: CIL allocations for the period 2020/21-2024/25

Taunton Garden Town CIL projects	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k	Proposed Total CIL allocations for 2020-2025 £k
Cycle and pedestrian improvements	500	0	0	1,000	0	1,500
Education provision	3,500	1,000	2,500	0	0	7,000
Public transport improvements	0	1,000	1,000	0	0	2,000
Taunton Town Centre Regeneration	0	1,000	500	0	0	1,500
Surface Water and Flood Risk Mitigation	0	2,000	0	1,000	0	3,000
Community Development	0	0	0	500	0	500
Total allocations	**4,000**	**5,000**	**4,000**	**2,500**	**0**	**15,500**

21 Robustness of Budget Estimates and Adequacy of Reserves

21.1 Under Section 25 of the Local Government Act 2003 the S151 officer is required to report to Council on the robustness of the estimates made for the purpose of calculations of the budget and the adequacy of the proposed financial reserves.

21.2 The Draft Budget for 2020/21 has been prepared on the basis of continuing the current year budget levels where appropriate, and has allowed for best estimates of expenditure and income including assumptions for increases and decreases due to trends and future influences such as inflation. It reflects commitments necessary to maintain service levels, and with demand-led budgets this inevitably entails a degree of judgement.

21.3 There has been a significant degree of scrutiny of the proposed budgets and savings by:

- The finance team – with several staff holding professional accountancy qualifications
- Senior Leadership Team and Leadership group
- Portfolio Holders
- Scrutiny Committee

21.4 These examinations of the budgets have led to refinements and provide considerable assurance about the robustness of the estimates.

21.5 It is recognised that the formation of the single new council from April 2019, the “knitting together” of service budgets from the two predecessor councils, and changes to the organisation and staffing during the last 12-18 months, has meant frequent and dynamic changes to the Council’s financial information and cost estimates. The changes has led to new budget holders and finance officers learning and building knowledge across new / different areas of the Council’s business. Responsibilities for budgets has changed more frequently than would be seen in a mature and stable business and workforce, which brings a degree of additional financial risk.

21.6 During 2019/20 a lot of focus has been on delivering stability and improvement following a significant period of disruption, and rebuilding knowledge of managers' understanding of their costs and income. It has been evident during this phase that some budgets and costs need to be more closely aligned in some areas. In addition, with the formation of the Council's new leadership team, finance officers are in the process of reorganising budgets into the new directorates. This is an important step, with resources focussed on implementing these changes ready for the start of the new financial year to enable strong and efficient financial control to operate from the outset.

21.7 The budget estimates and Medium Term Financial Plan include significant pressures and requests to increase spending in some areas. The proposed budget includes the continuation of transitional staffing costs for the next 12-15 months as process efficiencies, increased customer self-service, channel shift and reduced failure demand are fully delivered. It also reflects the direction of the financial strategy which, as well as reducing costs through operational efficiencies, seeks to grow the Council's income through commercial investment, treasury investment, and increased commercialisation of services. This is necessary to replace the major reduction in grant funding from central Government and avoid the need for major cuts to local services. Placing increasing reliance on income through investment and directly paid-for services results in a shift in the financial risks of the Council.

21.8 From my perspective as your S151 Officer, the budget proposal shared by Executive is based on the most accurate information available and therefore presents an accurate reflection of the Council's financial position. I am also reassured by the relatively healthy reserves position of the Council, which provides a good level financial resilience in the medium term. Given the financial risks and uncertainties faced it is very important that contingencies and reserve levels are maintained.

21.9 It is vitally important that the Council's leadership ensures cost efficiencies and income strategies are prioritised and delivered to ensure the Council remains financially resilient and service objectives remain affordable. A further priority for the S151 Officer and the finance function during 2020/21 will be improving financial control, monitoring and reporting arrangements at both a strategic and operational level. The remodelling of the budgets to the new directorate structure will see greater granularity being introduced to our financial information, which will enable more targeted financial information, and better understanding and control of costs and income.

Risk and Uncertainty

21.10 There are key areas of uncertainty beyond 2020/21, and other potential risks in the shorter term that I have considered in commenting on the proposed budget. These are explained in further detail below and include:

- The budget and MTFP assumes relative stability in business rates funding, which is known to be volatile – a large cost of appeals or other reductions could conceivably reduce funding to the Baseline or Safety Net. This applies at the county-wide Business Rates Pool level such that volatility in either district could impact on funding available.

- The budget relies on significant cost reductions being fully achieved within the next 12-18 months, and investment income growth to be delivered at pace whilst managing risk through the quality of investment undertaken.

- There is significant future uncertainty in terms of Government funding beyond 2020/21 with the unknown impacts of the 2020 Spending Review, the Fair Funding Review, business rates baseline and tariff resets, redesign of the business rates retention system and roll out of 75% Retention, and the review of New Homes Bonus.

21.11 Other key risks to be aware of are:

- Business Rates: The Council is exposed to financial risk in its business rates funding estimates. Business Rates Retention (BRR) funding is based on the estimates completed in January each year. Estimates reflect anticipated growth, mandatory and discretionary discounts/reliefs and collection rates. Financial provisions are made for potential losses for appeals and other reductions, however experience shows that business rates funding can be volatile despite prudent estimates. There are also timing differences between financial years inherent in the required accounting arrangements. The Council seeks to mitigate the budget risk of reductions in funding by holding funds in a Business Rates Smoothing Reserve.

- Business Rates Pooling and 75% BRR Pilot: The County and four Districts in Somerset form the Somerset Business Rates Pool, which is a pilot area for 75% Retention in 2019/20 for one year only. The Pool will return to operating under the 50% Retention system in 2020/21. Pooling seeks to reduce the levy paid to Government on growth in business rates income above the funding baseline, and will distribute gains from levy savings in the form of a 'dividend' at the end of each financial year. Being in a pool increases risk with a lower safety net, although the safety is more beneficial under the 75% scheme (95% of baseline as opposed to 92.5%). In mitigation the Pool plans to cover individual authority safety net costs from pooling gains before any dividend is issued however there is no guarantee the gains will be sufficient to cover large scale losses. The risk is considered to be low in this respect, but will be carefully monitored. The proposed budget for 2020/21 includes a reasonable estimate of the pooling gain, which is proposed to initially be set aside in the Smoothing Reserve but may be available to support future financial sustainability measures.

- Reserves: The assessment of minimum level of reserves was updated when the current financial strategy was approved in September 2019. The Council now measures reserves against two benchmarks: a financial resilience minimum balance of £2.4m and an operating minimum balance of £3m. General Reserves are forecast to be £2.7m by the end of 2019/20, and provision is included in the 2020/21 budget to increase this by £300k with a view to starting next financial year in line with the operating target.

- Economy and Brexit: A downturn in the economy for example through Brexit would impact on our key income streams including business rates. A 5% reduction in development control, car parking, and building control alone would result in a loss in excess of £300k per annum.

- Council Tax Reduction Scheme: Members have approved the scheme for 2020/21 with no changes. There has been a significant increase in caseload and awarded eligible discounts during 2019/20, which is reflected in the 2020/21 council tax base. We will continue to monitor the financial impact on the Council. The key risk on this item is further growth impacting on total council tax income available to fund other services.

- Housing Benefits / Subsidy: Subsidy budgets are very difficult to estimate due to the fluctuating volume of claims received and the different levels of subsidy payable. Adjustments reducing the grant subsidy can also be made for local authority error. The total benefit subsidy budget is approximately £40m – and relatively small percentage fluctuations in this budget can have a big impact on the budget of the Council. Systems are in place to ensure this is monitored on a monthly basis. In addition, assumptions on the level of subsidy payable on local authority overpayments are at a prudent level.

- New Homes Bonus (NHB): The slowdown in housing growth in the year to October 2019 has led to a reduction in total NHB grant awarded in 2020/21. The Government has confirmed the 2020/21 grant awarded includes a continuation of legacy payments from the previous 3 years. Ministers have confirmed their intention to review the NHB scheme during 2020, and it is prudent to plan for this grant disappearing and funds being redistributed in future. Within the grant calculation, the increment for 2020/21 will be for one year only and the forecast legacy payments in 2021/22 and 2022/23 are subject to confirmation in future Finance Settlements.

Government Funding

21.12 The grant funding from Government in 2020/21 is effectively a one year roll-forward of the 2019/20 position, with RSG maintained at £6k and RSDG maintained at £241k (subject to confirmation in the final Finance Settlement).

21.13 The Government continue to develop their policy on local government finance. 2020 should be a pivotal year in providing some clarity on the medium term funding position for local government and district councils' share of available core funding. The implementation of 75% Business Rates Retention has been deferred to 2021/22, and it is currently assumed the impact will be neutral at the point if implementation. The timing of any future move to 100% retention of business rates is unknown. As stated above the distribution of funding from 2021/22 onwards will be determined by a number of factors: the 2020 Spending Review, Fair Funding Review and Business Rates Retention reform, and review of New Homes Bonus.

Council Tax

21.14 On council tax, the Government have once again set the upper limit at a £5 annual increase for district councils on a Band D property, and have not imposed an upper limit on town/parish council precept increases. The S151 officer's assumption is that 2020/21 will be final year that the flexibility of applying a £5 increase, with new principles likely to establish following the reset of 'core spending power' following the changes to government funding identified in 21.13 above. Council tax is a relatively stable and predictable funding source, and provides over 50% of the Councils core funding towards general services.

Capital Programme Funding

21.15 The Executive's draft budget proposals for the General Fund capital programme are included in this report. Capital expenditure estimates on council housing provision is included separately within the Housing Revenue Account budget report. To support the spending plans, councils are required to publish and monitor a set of Prudential Indicators. These are listed in full in the Capital, Investment and Treasury Strategies report which is also shared separately for approval.

21.16 The Executive's draft capital programmes for the General Fund and HRA follow the principles of the Prudential Code, and I am satisfied that the treasury implications are clear and within affordable limits.

21.17 The Capital Strategy and programmes demonstrate an increase in capital spending in the short to medium term in the General Fund to meet both service priorities and increased investment in assets for income generation purposes; and long term in the HRA to meet in particular the social housing regeneration and delivery objectives in the updated HRA 30-Year Business Plan. The programmes will rely on long term investment supported by borrowing, and an important feature of financial planning is that the costs of servicing this debt remain affordable. The increase in general fund borrowing is largely related to regeneration and investment schemes that will more than cover the costs of borrowing through income generated, and HRA investment remains affordable based on forecast housing rent income.

Inflation and Other Key Budget Assumptions

21.18 I have reviewed the budget proposals and assumptions and comment as follows:

Inflation: inflation assumptions appear reasonable with general inflation projected at 2% in line with longer term government targets. An appropriate level of inflation allowance has also been reflected in the budget estimates for pay, pensions and core service contracts. Services will be required to absorb variations in costs compared to budget, with any emerging significant issues to be highlighted through budget monitoring reports.

Service Income: income projections are based on realistic assumptions on usage, and the most recent Government guidance on fee levels when appropriate. They also take into account historic trends and current year projections.

Growth in service requirements: the MTFP identifies service growth areas such as waste collection and recycling. Detailed estimates are firmed up by discussions with managers during the budget process.

Revenue Implications of Capital: the MTFP identifies and incorporates changes to the base budget as a result of the capital programme.

Economic assumptions: investment interest assumptions are based on independent economic forecasts and include the impact of treasury management decisions made in earlier years, as well as projected benefits from recent changes in the range of investments used for cash balances.

Council Tax: growth assumptions in the council tax base have been forecast at 1% in 2020/21 and for each year thereafter on a prudent estimate of the net effect of local growth, council tax support and other discounts. Council tax collection rates remain strong, providing confidence the income will be received as planned.

Sustainability: the proposed budget takes into account the future financial uncertainty faced by the Council. The Council can set a balanced budget for 2020/21 and has healthy reserves. Not all costs are fixed, providing management with some flexibility to control spending in year if needed.

Delivery of Savings

21.19 The MTFP has built in significant savings targets which carries some risk, in particular on timing of sustainable efficiency savings and achieving growth in commercial investment income at pace. I am comfortable that appropriate mitigations are in place through reserves and flexibility in financing arrangements / costs.

21.20 Delivery of savings will be closely monitored by the S151 Officer and Directors, and reported regularly to the Senior Management Team. Any significant variations will be reported to Members with mitigating actions / options.

22 Adequacy of Reserves

22.1 With the existing statutory and regulatory framework, it is my responsibility as S151 Officer to advise the Council about the adequacy of the Council's reserves position.

22.2 All reserves are reviewed at least annually and my formal opinion updated during the budget setting process each year. For the General Fund, the minimum level of reserves for prudent resilience to financial risks has been set at £2.4m, with an operating target for reserves set at £3m to provide some operating flexibility if needed. For the HRA these are set at £1.8m and £2.4m respectively.

22.3 A detailed review of earmarked reserves will be undertaken with Directors as part of the financial year end process. I am currently satisfied that reserves are appropriate however some balances are now long-standing and will be reviewed to ensure they are still required for their original purpose.

22.4 My opinion is given in the knowledge that known risks (strategic, operational and financial) are managed and mitigated appropriately in line with the Council's policies and strategies.

General Fund Reserve

22.5 The forecast General Reserves balance at the end of 2019/20 is £2.7m, and therefore remains above the acceptable level and is therefore adequate. Whist this is above the minimum balance required, the Executive's draft budget for 2020/21 includes a contribution to General Reserves of £0.3m, with the aim of returning the balance at least to the operating target level. This is prudent in view of financial risks in the next 1-2 years.

22.6 There are no further planned allocations to or from general reserves within the MTFP, in line with the principle that the Council plans to balance the budget each year from annual income. This will be reviewed annually as part of the budget planning process.

Housing Revenue Account Reserve

22.7 The HRA working balance reserve is forecast to be £3.1m at the beginning of 2020/21. The HRA MTFP and Business Plan are built on the principle that reserves will remain and the operating minimum each year, with opportunity to apply in year surpluses to reducing capital borrowing costs. The balance is forecast to remain in line with these financial strategy and business plan expectations.

Earmarked Reserves

22.8 The current (at December 2019) balance of General Fund earmarked reserves is £23m, and for the HRA the balance is £2.5m. These balances provide a healthy financial resilience, and contain funds to meet future planned expenditure and contingencies for some specific financial risks.

22.9 With reduced reliance on business rates growth in the MTFP and the prudent assumption that retained business rates funding will fall to the Baseline following the Reset in 2021/22, there is an opportunity to reduce the balance held in the BRR Smoothing Reserve. Alongside this, the planned increase in investment for income generation purposes brings increasing reliance on this potentially volatile source of funding. The planned reallocation of £3.5m to a new Investment Risk Reserve provides immediate resilience to income volatility and/or delay in achieving the income targets.

22.10 The proposed budget over the next two years relies on an allocation of £2.75m from the New Homes Bonus reserve. This is a temporary injection of funding aligned to temporary costs, and is therefore a sustainable strategy. However, this does result in less cash funding for the Council's capital programme, which means capital costs will need to either be reduced or be funded from other sources such as future capital receipts or borrowing.

23 Conclusions – Statement of the S151 Officer

23.1 Based on the evidence I have reviewed I am able to confirm that I believe the Council's draft budget proposals for 2020/21 to be sufficiently robust, and the Council's reserves to be adequate.

23.2 Whilst the forecast funding position beyond 2020/21 is uncertain, estimates are considered to be prudent based on current information. Key influences will be the Government's Spending Review in 2020 and future funding settlements, the Fair Funding Review, the reset of the business rates baseline and tariff, the redesign of the business rates retention system and the future of New Homes Bonus. The financial strategy and MTFP will need to be reviewed and updated as new information emerges over the next 12 months.

23.3 The budget for 2020/21 is balanced without the need to draw on general reserves, and with earmarked reserves used to fund temporary costs. Looking ahead, the MTFP relies on the full delivery of savings and income targets to close the funding gap, but still projects a funding shortfall / budget gap of £0.5m in 2021/22 rising to £1.7m by 2024/25. The Executive and Leadership team will need to drive forward the planned changes necessary to meet current financial plans, and also maintain a longer-term focus to ensure future objectives are affordable and the Council remains financially resilient.

23.4 Finally of course, Brexit also brings significant uncertainty at the time of writing this report. We will need to carefully monitor the impact of the exit from the EU on the national and local economy, and respond to any unplanned impact on local services and council finances.

24 Links to Corporate Aims / Priorities

24.1 It is important that Councillors recognise the financial position, challenges and risks faced by the Council and fully engage in the corporate and financial planning processes in order to determine an affordable and sustainable set of corporate aims and priorities. This should lead to the Council approving a sustainable final budget and MTFP in February 2020.

25 Legal Implications

25.1 The Council is required by law to set a balanced budget and failure to do so would result in serious financial and service implications and lead to Government intervention.

26 Environmental Impact Implications

26.1 None directly for the purposes of this report. The delivery of the Council's environmental objectives is embedded in many of the Council's revenue and capital budget proposals for both General Fund and Housing Revenue Account services. The General Fund budget included a proposed allocation of £75k which will provide some enabling funding to progress the Environment Strategy and potentially initiate some projects under the strategy.

27 Safeguarding and/or Community Safety Implications

27.1 None for the purposes of this report.

28 Equality and Diversity Implications

28.1 None for the purposes of this report.

29 Social Value Implications

29.1 None for the purposes of this report.

30 Partnership Implications

30.1 None for the purposes of this report. The Council budget incorporates costs and income related to the various partnership arrangements, and any changes in relevant forecasts and proposals will be reported for consideration as these emerge.

31 Health and Wellbeing Implications

31.1 None for the purposes of this report. Any relevant information and decisions with regard to health and wellbeing will be reported as these emerge through the financial planning process.

32 Asset Management Implications

32.1 The proposed budget includes an increase in the general assets maintenance budget to provide for planned and reactive maintenance across the asset base. Priorities will be determined in line with the Asset Management Plans in place.

33 Data Protection Implications

33.1 None for the purposes of this report.

34 Consultation Implications

34.1 None for the purposes of this report.

35 Scrutiny Comments / Recommendation(s)

35.1 A verbal updated will be provided at the meeting.

Democratic Path:
Scrutiny – 5 February 2020
Executive – 10 February 2020
Council – 19 February 2020

Reporting Frequency: Annually

List of Appendices

Appendix A	General Fund Capital Programme

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Appendix A

SOMERSET WEST & TAUNTON COUNCIL - GENERAL FUND - CAPITAL PROGRAMME 2019/20 - FUNDING

Project	Revised Approved Budget for 2019/20 £	2019/20 Supplementary Estimates £	2019/20 Budget Returns £	2019/20 Budget Virements £	2019/20 Current Budget £	2019/20 Proposed Changes £	Proposed 2020/21 Budget £	Overall Capital Budget £	Funding (£) Capital Grants	Section 106 Agreements	Capital Receipts	General Fund RCCO	New Homes Bonus	Capital Financing Reserve	Other Earmarked Reserves	Unallocated Capital resources	Borrowing	TOTAL
Growth Programme																		
GF C Town Centre Improvements	170,360				170,360			170,360					170,360					170,360
GF C Firepool Land Assembly	2,535	35,622			38,157			38,157					38,157					38,157
GF C Major Transport Schemes	1,693,910		(193,910)	(1,500,000)			875,000	875,000					875,000					875,000
GF C Flooding Alleviation	982,846		(981,500)		1,346		2,500,000	2,501,346					2,501,346					2,501,346
GF C Town Centre Regeneration	1,021,000		(1,004,016)		16,984			16,984					16,984					16,984
GF C Emp Site Enabling Innovation	1,891,000		(1,855,750)	(35,250)			300,000	300,000					300,000					300,000
TD C Broadband SEP	380,000				380,000			380,000					380,000					380,000
TD C Parking, Access & Signage	9,577				9,577			9,577					9,577					9,577
Firepool Development	55,543	825,000			880,543			880,543					880,543					880,543
Lisieux Way Site Masterplaning	9,750			35,250	45,000			45,000					45,000					45,000
Firepool Master Planning		275,000			275,000			275,000					275,000					275,000
Total Growth Programme	**6,216,521**	**1,135,622**	**(4,035,176)**	**(1,500,000)**	**1,816,967**		**3,675,000**	**5,491,967**					**5,491,967**					**5,491,967**
IT Projects																		
GF C Members IT Equipment	7,205				7,205		4,000	11,205				4,000		3,205			4,000	11,205
GF C PC Refresh Project	50,000				50,000			50,000				50,000						50,000
GF C Cemetery IT System	24,950				24,950			24,950						24,950				24,950
GF C Transformation	753,738		(79,738)		674,000	(674,000)												0
GF C IT Offsite Backup Facilities	11,861				11,861			11,861				11,861						11,861
GF C IT Annual Hardware Replacement	8,857				8,857		30,000	38,857			2,857	6,000					30,000	38,857
GF C IT Server Refresh	20,000				20,000			20,000				20,000						20,000
GF C Committee Rooms AV Kit	75,000				75,000			75,000								75,000		75,000
Microsoft Migration	100,000				100,000	(100,000)												0
Change Programme: Miscrosoft 365 Migration/Finance Upgrade						774,000		774,000			327,000						447,000	774,000
Total IT Projects	**1,051,611**		**(79,738)**		**971,873**		**34,000**	**1,005,873**			**329,857**	**91,861**		**28,155**		**75,000**	**481,000**	**1,005,873**
Major Projects																		
GF C PT Coal Orchard	10,727,650	3,683,000		(1,407,013)	13,003,637			13,003,637									13,003,637	13,003,637
GF C Lisieux way	957,212				957,212			957,212									957,212	957,212
GF C Blackbrook Swimming Pool	62,869				62,869			62,869						62,869				62,869
GF C SCC Waste Vehicle Loan	7,000,000				7,000,000			7,000,000									7,000,000	7,000,000
GF C Paul Street Car Park Major Works	421,779		(75,000)		346,779			346,779						232,873		113,906		346,779
GF C Creech Castle Improvement (Toneway Corridor Phase 1)	375,000				375,000			375,000					375,000					375,000
GF C Firepool Hotel	15,712,627		(15,705,526)		7,101			7,101									7,101	7,101
GF C Waiting Room	205,616				205,616			205,616									205,616	205,616
GF C Seaward Way	2,862,074				2,862,074			2,862,074									2,862,074	2,862,074
Coal Orchard Development Costs				1,407,013	1,407,013			1,407,013					1,407,013				0	1,407,013
Watchet - East Quay Development	1,500,000				1,500,000			1,500,000									1,500,000	1,500,000
Great Western Railway	5,000,000				5,000,000			5,000,000									5,000,000	5,000,000
Leisure	1,000,000				1,000,000			1,000,000									1,000,000	1,000,000
Gaumont Palace Theatre (Mecca Bingo)		2,277,000			2,277,000			2,277,000									2,277,000	2,277,000
J25 Improvement Scheme Contribution				1,500,000	1,500,000			1,500,000					1,500,000					1,500,000
East Quay Wall						200,000	540,000	740,000									740,000	740,000
Total Major Projects	**45,824,827**	**5,960,000**	**(15,780,526)**	**1,500,000**	**37,504,301**	**200,000**	**540,000**	**38,244,301**					**3,282,013**	**295,742**		**113,906**	**34,552,640**	**38,244,301**
Housing																		
GF C Grants to RSLs	2,317,988				2,317,988			2,317,988		1,137,000	416,906				19,897	744,185		2,317,988
GF C DFGs Private Sector	2,646,861				2,646,861		1,274,000	3,920,861	3,824,210					96,651				3,920,861
GF C Decent Homes																		
Total Housing Projects	**4,964,849**				**4,964,849**		**1,274,000**	**6,238,849**	**3,824,210**	**1,137,000**	**416,906**			**96,651**	**19,897**	**744,185**		**6,238,849**
Other Projects																		
GF C Special Expenses Grants	11,000				11,000			11,000						11,000				11,000
GF C Youth Project Cap Grants	20,030				20,030			20,030			20,030							20,030
GF C Gypsy Site	108,502				108,502			108,502						108,502				108,502
GF C PT Longrun Meadow Bridge	4,200		(4,200)															0
GF C DLO Vehicles Acquisition	290,143				290,143		152,000	442,143			152,000	152,000			138,143			442,143
GF C Waste Containers	108,590				108,590		100,000	208,590			100,000	100,000		8,590				208,590
GF C Grants to Halls & Sports Clubs	30,367				30,367			30,367						30,367				30,367
GF C Grants to Parishes	42,830				42,830		15,000	57,830				30,000		27,830				57,830
GF C Replacement Play Equipment	84,048				84,048		64,000	148,048			76,740			7,308			64,000	148,048
GF C GF Community Alarms	48,982				48,982		25,000	73,982				31,000		17,982			25,000	73,982
GF C DLO Plant	23,000				23,000		23,000	46,000			23,000	23,000						46,000
GF C Brewhouse	37,328				37,328			37,328					37,328					37,328
GF C Crematorium Project	6,991				6,991			6,991							6,991			6,991
GF C Norton Fitzwarren Hillfort	17,472		(13,368)		4,104			4,104						4,104				4,104
GF C West Monkton Country Park	50,726				50,726			50,726					50,726					50,726
GF C East Wharf	66,611				66,611			66,611			66,611							66,611
GF C Superfast Broadband	170,000				170,000			170,000			170,000							170,000
GF C 7 The Esplanade	15,000				15,000			15,000			15,000							15,000
GF C Steam Coast Trail	114,604				114,604			114,604	114,604									114,604
GF C Stair Lift Recycling																		0
GF C Cuckoo Meadow Play Area	1,103				1,103			1,103	1,103									1,103
GF C CASA	78,165		(78,165)								0							0
GF C Minehead Esplande	17,563				17,563			17,563	17,563									17,563
Wellington Sports Centre Air Handling Units							253,000	253,000									253,000	253,000
Resources for Change Programme							360,000	360,000			360,000							360,000
Total Other Projects	**1,347,255**		**(95,733)**		**1,251,522**		**992,000**	**2,243,522**	**133,270**		**983,381**	**336,000**	**88,054**	**215,683**	**145,134**		**342,000**	**2,243,522**
GF C S106 Various	**271,136**	**331,438**			**602,574**			**602,574**		602,574								**602,574**
S106 Funded - Hinkley Schemes																		

Appendix A

										Funding (£)									
	Project	Revised Approved Budget for 2019/20 £	2019/20 Supplementary Estimates £	2019/20 Budget Returns £	2019/20 Budget Virements £	2019/20 Current Budget £	2019/20 Proposed Changes £	Proposed 2020/21 Budget £	Overall Capital Budget £	Capital Grants	Section 106 Agreements	Capital Receipts	General Fund RCCO	New Homes Bonus	Capital Financing Reserve	Other Earmarked Reserves	Unallocated Capital resources	Borrowing	TOTAL
	HK C Westfield Street Café	3,000				3,000			3,000		3,000								3,000
	HK C South B/W & North Petherton	250,500		(102,074)		148,426			148,426		148,426								148,426
	HK C Bridgwater Town Centre	54,278				54,278			54,278		54,278								54,278
	HK C Holford & District Village Hall	76,092				76,092			76,092		76,092								76,092
	HK C Minehead TC - New Changing Facilities	382,047				382,047			382,047		382,047								382,047
	Watchet Bowling Club	150,000				150,000			150,000		150,000								150,000
	Williton Shooting Club	23,000				23,000			23,000		23,000								23,000
	Cheddar Parish Council	320,000				320,000			320,000		320,000								320,000
	Bos & HB Council	350,000				350,000			350,000		350,000								350,000
	Victoria Ward Green	51,428				51,428			51,428		51,428								51,428
	North Petherton RFC Gym	300,000				300,000			300,000		300,000								300,000
	Empty Homes & LOTS	90,000				90,000			90,000		90,000								90,000
	Stogursey Leisure	1,301,125				1,301,125			1,301,125		1,301,125								1,301,125
	Enterprising Minehead	187,672	30,000			217,672			217,672		217,672								217,672
	Cannington Traffic																		
	Total S106 Funded - Hinkley Schemes	**3,539,142**	**30,000**	**(102,074)**		**3,467,068**			**3,467,068**		**3,467,068**								**3,467,068**
Externally Funded Projects																			
	GF C CIL Grant																		
	CIL - Cycle & Pedestrian Improvements	1,000,000				1,000,000		500,000	1,500,000	1,500,000									1,500,000
	CIL - Education Provision	4,000,000				4,000,000		3,500,000	7,500,000	7,500,000									7,500,000
	CIL - Public Transport Improvements	1,000,000				1,000,000		1,000,000	2,000,000	2,000,000									2,000,000
	CIL - Taunton Town Centre Regeneration							500,000	500,000	500,000									500,000
	Total Externally Funded Projects	**6,000,000**				**6,000,000**		**5,500,000**	**11,500,000**	**11,500,000**									**11,500,000**
	General Fund Total	**69,215,341**	**7,457,060**	**(20,093,247)**		**56,579,154**	**200,000**	**12,015,000**	**68,794,154**	**15,457,480**	**5,206,642**	**1,730,144**	**427,861**	**8,862,034**	**636,231**	**165,031**	**933,091**	**35,375,640**	**68,794,154**

Report Number: SWT 36/20

Somerset West and Taunton Council

Executive Committee – 10 February 2020

Capital, Investment and Treasury Strategies 2020/21 to 2024/25

This matter is the responsibility of Executive Councillor Ross Henley

Report Author: Paul Fitzgerald, Strategic Finance Advisor and S151 Officer

1 Executive Summary / Purpose of the Report

1.1 The purpose of this report is to inform members and seek approval for the Council's recommended strategies in relation to capital expenditure and financing, investments and treasury management activities.

1.2 An early draft of this report was provided to Audit, Governance and Standards Committee on 13 January 2020, with a final draft to be reviewed by the same Committee on 4 February. The strategies reflect financing implications of the proposed budgets and capital programmes for 2020/21, which are to be presented to the Scrutiny Committee on 5 February, Executive on 10 February and Full Council on 19 February.

1.3 Previously separate strategies have been presented, however this report provides a holistic view of the Council's capital, investment and borrowing requirements meeting the requirements of statutory guidance issued by government in January 2018.

2 Recommendations

2.1 Executive considers comments and/or recommendations from the Audit, Governance and Standards Committee, and approves the Treasury Strategy contained within the consolidated report.

2.2 Executive considers comments and/or recommendations from the Audit, Governance and Standards Committee, and recommends that Full Council approves the Capital and Investment Strategies and Minimum Revenue Provision policy.

2.3 Executive notes and supports the requirement for a review of the Constitution for completeness and further clarity on responsibilities for all aspects of the strategies included within this report.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
Risk: The Council fails to maintain an adequate system of internal control.	2	4	8
Mitigation: The Council has in place suitable arrangements to develop, approve and deliver its Capital, Investment and Treasury strategies through appropriately trained staff and access to specialist treasury and commercial advice.	1	4	4

Risk Scoring Matrix

Likelihood	5	Very Likely	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Feasible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Slight	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Very Unlikely	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic

	Impact	
Likelihood of risk occurring	**Indicator**	**Chance of occurrence**
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Governance

4.1 The approved capital and treasury governance arrangements are set out in the Council's Constitution. These include:

- The Executive has delegated authority to approve the Treasury Management Strategy each year (Financial Procedure Rules – 3.13.2).
- The Executive is responsible for recommending the Capital Strategy and MRP Policy to Full Council for approval (Financial Procedure Rules –

3.1.10, 3.13.1)

- The Audit Governance and Standards Committee is responsible for monitoring treasury management performance through a mid-year and year-end report (Financial Procedure Rules – 3.13.5).

4.2 Responsibility for monitoring the Capital and Investment Strategies is not specified in the Constitution. It is proposed by the S151 Officer to report capital and investment performance to the Executive. Scrutiny Committee may also request this information as part of its work programme, however in agreement with the Scrutiny Chairman, it is requested the AGS Committee reviews all three strategies within this report for 2020/21. Responsibility for the Investment Strategy is not specified in the Constitution however the S151 Officer views this as intrinsic to the Capital Strategy and therefore follows the same approach for approval and monitoring.

4.3 In order to ensure capital, investment and treasury performance reporting is coherent, the S151 Officer proposes to review the reporting arrangements for 2020/21 financial year in consultation with the Corporate Resources Portfolio Holder and the committee Chairs for Scrutiny and Audit Governance and Standards. The Constitution should also be reviewed and updated to ensure it covers this fully.

5 Background

5.1 In line with regulatory guidance, the Council is required to produce a Capital Strategy, and Investment Strategy and a Treasury Management Strategy. These are intrinsically linked so, whilst in the past these have been presented to Members as separate reports, they have been pulled together into a draft consolidated document this year. It is recognised this is a large document now, but is helpful on this occasion to provide a holistic review of the relevant data and information together with supporting narrative. The report is also expanded to include a number of graphs and charts to hopefully make some of this information more accessible to a wider audience. The S151 Officer proposes to explore future iterations of this report to condense into a single, shorter strategy document. This will be discussed with our external auditor to ensure compliance to the relevant regulations is not compromised.

5.2 An early draft of this report was provided to Audit, Governance and Standards Committee on 13 January 2020, with a final draft to be considered on 4 February. The AGS Committee was requested specifically to review and comment on the draft strategies on 5 February, and a verbal update of AGS Committee comments / recommendations will be provided to the Executive to consider in agreeing its recommendations to Full Council.

5.3 The strategies reflect financing implications of the proposed budgets and capital programmes for 2020/21, which are to be presented to the Scrutiny Committee on 5 February, Executive on 10 February and Full Council on 19 February.

5.4 The document aims to set out clearly the projected capital expenditure and funding requirements, and considers the treasury management implications for raising and servicing the financing of this and the prudent management of investment and borrowing.

6 Links to Corporate Aims / Priorities

6.1 The Capital, Investment and Treasury Management strategies support the delivery of the Corporate Aims.

7 Finance / Resource Implications

7.1 Any financial / resource implications are contained within the Appendix to this covering report.

8 Legal Implications, Environmental Impact Implications, Safeguarding and/or Community Safety Implications, Equality and Diversity Implications, Social Value Implications, Partnership Implications, Health and Wellbeing Implications, Asset Management Implications, Data Protection Implications and Consultation Implications

8.1 None in respect of this report.

9 Audit Governance and Standards Committee Comments

9.1 The Committee will consider the draft report on 4 February. A verbal update from the Committee will be provided at this Executive meeting.

Democratic Path:

- **Audit, Governance and Standards Committee – 4 February 2020**
- **Executive – 10 February 2020**
- **Full Council – 19 February 2020**

Reporting Frequency: Annually

List of Appendices

Appendix A	Capital, Investment and Treasury Strategies 2020/21 to 2024/25

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APPENDIX A

Somerset West and Taunton Council

Capital, Investment and Treasury Strategies 2020/21 to 2024/25

Capital Strategy

1 Introduction

1.1 This Strategy document sets out Somerset West and Taunton Council's approach to capital investment. It provides an important framework and guiding principles that underpins its longer term capital investment plans, and forms part of the overarching corporate planning and financial strategy for the Council.

1.2 The Capital Strategy is part of the overarching financial governance framework, supporting strategic planning and financial strategy. It is included here together with closely related strategies in respect of investment and treasury management to provide a holistic view of capital, investment and borrowing requirements.

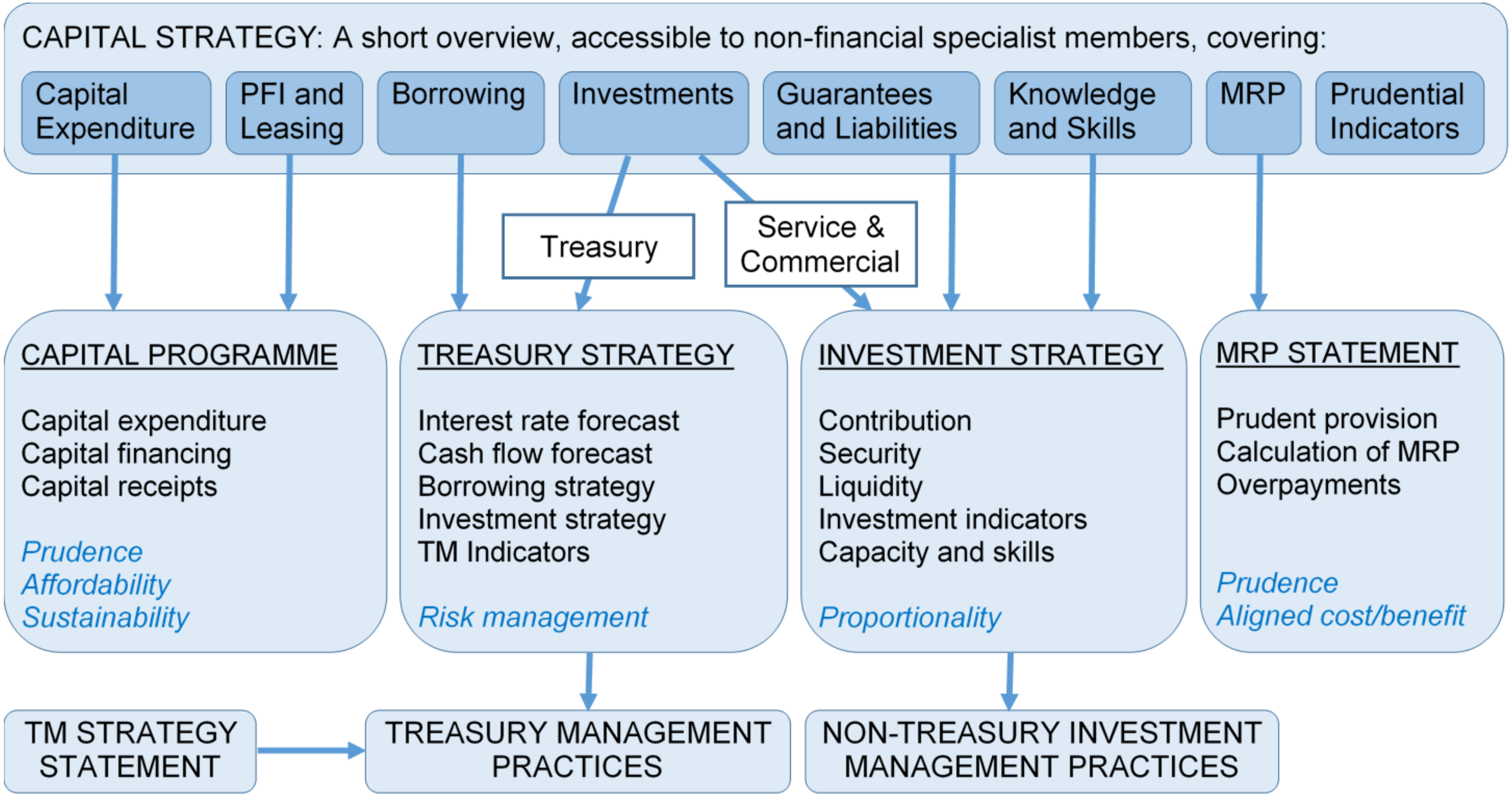
1.3 Somerset West and Taunton was created on 1 April 2019, with its assets, liabilities and functions transferred from the predecessor councils – Taunton Deane Borough Council and West Somerset District Council. Both Councils transferred a legacy borrowing requirement in respect of General Fund services however this represented a relatively low proportion of the value of capital assets transferred. In respect of Housing, TDBC transferred its Housing stock assets and associated borrowing requirement. Plans to meet the costs of the legacy borrowing requirement are embedded in both General Fund and Housing Revenue Account budgets and ongoing financial plans.

1.4 SWTC has recent and emerging plans that are expected to see a significant increase in capital investment both in the short term and longer term, related to housing, regeneration and commercial investment to generate essential income to fund local services and priority projects. This will see growth in assets held on the balance sheet and a related growth in borrowing need. The Council actively pursues access to other sources of capital such as bids for government grant funding, and private sector investment where appropriate, and plans to utilise the majority of available New Homes Bonus income and Community Infrastructure Levy towards the Capital Programme.

1.5 The strategy for capital schemes, particular in respect of growth and regeneration schemes, will continue to focus on opportunities for capital investment that at least covers its costs and where possible provides a positive revenue benefit.

1.6 The Council also forecasts and plans to hold prudent investment balances that will meet short term cash flow requirements and provide an ongoing investment income through proportionate strategic investment in pooled funds.

1.7 The following diagram represents the Capital Strategy framework and how the capital, investment, treasury and MRP approaches interlink.



2 Capital Expenditure

Capital Expenditure Estimates

2.1 Capital expenditure is incurred where the Council spends money on constructing or acquiring assets such as land and buildings including housing, vehicles, plant and equipment, which will be used for more than one year, as well as larger scale maintenance works that maintain or enhance the Councils existing assets. In local government capital expenditure can also include spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure. For example assets costing below £10,000 are not capitalised and are charged as revenue expenditure in the year. This discretion is reflected in the Council's accounting policies which are set out within the Statement of Accounts each year.

2.2 The information included in the table below in respect of 2018/19 financial year relates to the two predecessor councils – Taunton Deane and West Somerset – included for comparative purposes. Budgets and estimates for 2019/20 onwards relate to Somerset West and Taunton Council, which came into being on 1 April 2019.

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

	2018/19 Actual £k	2019/20 Budget £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k	Totals 2019/20-2024/25 £k
General Services	17,709	69,215	13,603	7,338	4,893	4,673	1,673	119,104
Capital Investments	0	0	50,000	50,000	0	0	0	100,000
Housing services	11,379	23,093	15,844	12,133	11,625	15,719	14,719	104,512
Totals	**29,088**	**92,308**	**79,447**	**69,471**	**16,518**	**20,392**	**16,392**	**323,616**

2.3 The Council's capital investment focusses on the following main areas:

- Investment in new and existing operational assets and issuing capital grants to support the delivery of its services and strategic priorities. This includes schemes such as technology, regeneration and infrastructure projects, contributions to major transport and flood alleviation projects, and grants for accessibility adaptations and equipment to support independent living.

- Investment to grow and balance the Council's commercial investment income portfolio, as set out in the investment strategy. This may include direct property freehold or long-leasehold acquisition, as well as shareholdings and loans to third parties and subsidiaries.
- Investment in the Council's own housing provision by acquiring, building and improving its housing stock. This includes schemes such as the North Taunton housing regeneration programme, annual programme of additions to stock to deliver vital affordable housing in the district, and major works to maintain and improve our decent homes standards across the portfolio. This investment is funded through the Housing Revenue Account.

2.4 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is, therefore, recorded separately.

2.5 Capital expenditure in 2020/21 may be updated due to a change in accounting for leases. If this proves to be the case an update will be included within the mid-year report.

Capital Programme

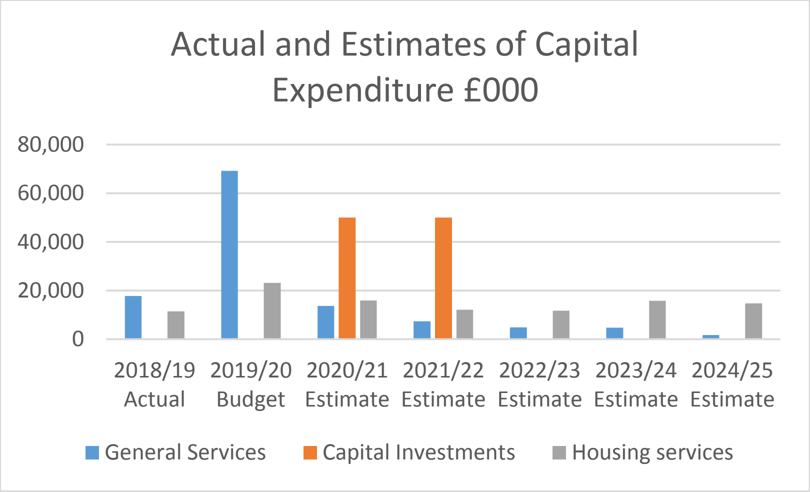
2.6 The Capital Programme represents the Council's commitment to continue to invest in its operational asset portfolio and wider investment to support housing, economy and place-shaping priorities. It is reviewed annually and approved through the budget setting process, taking into account the availability of capital resources and the financing cost implications on the revenue budget.

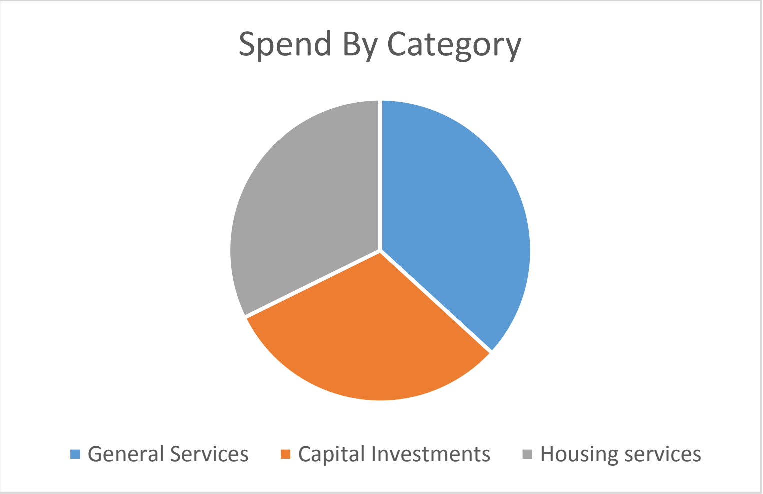
2.7 New capital schemes and projects are usually added to the Programme as part of the annual process, however the Council's governance arrangements allow for new schemes and projects to be added or removed from the programme during the year subject to appropriate approvals.

2.8 The annual programme is developed where managers bid in September/October for projects to be considered, with an outline scheme appraisal and specific funding proposals where appropriate. Bids are collated by Finance to summarise the potential expenditure requirement and assess the capital financing options. The programme is also informed by the Council's Asset Management Strategy and Plan, as well as strategic organisational development and improvement programmes.

2.9 The draft programme is presented initially to the Leadership team – Senior Officers and Executive Councillors, and priority proposals are then taken forward to Scrutiny Committee for review and comment. The Executive will then consider and recommend the final draft Capital Programme to Full Council for approval in February.

2.10 The proposed capital programme includes investment of £50.0m in 2020/21, with indicative further investment of £50.0m in the subsequent four years to 2024/25. The details of this investment is included in the General Fund and Housing Revenue Account 2020/21 Budget Estimates reports. The following charts provide an overview of the main areas of investment.





Asset Management

2.11 Following the formation of the new Council in April 2019 and the revision of the working structure in January 2020, the Asset Management Team falls within the designation of “Place” reporting directly to the Chief Executive and working closely with Development and Commercial Investment colleagues.

2.12 The Council has a core team of qualified property professionals who advise on acquisitions, disposals and day to day management of all Council assets.

2.13 The historic Asset Management Plans are presently under review and incorporate key Council priorities of delivering excellent customer service and identifying income generating investment opportunities. Properties considered for acquisition within the Corporate Investment Strategy are thoroughly reviewed, financial models run and due diligence undertaken. Potential acquisitions which meet the initial criteria are then presented to the Investment Panel and Investment Board for authorisation.

2.14 The assets already within the Council's ownership are actively managed on a day to day basis in order to minimise costs and risks and to maximise any receipts. An important aspect will be the identification of expenses and receipts to specific property assets to enable non-performing investments or properties with excessive costs to be identified and considered for disposal.

3 Capital Financing

3.1 The Council's capital investment falls within the scope of the CIPFA Prudential Code for Capital Finance in Local Authorities (the 'Prudential Code'), to which the Council must give due regard. The Code was last updated in 2017. Under the Prudential Code the Council has discretion over the funding of capital expenditure and the freedom to determine the level of borrowing it undertakes to deliver the Capital Programme.

3.2 All capital expenditure must be financed, and there are range of potential funding sources the Council may use including its own resources or externally:

- Capital receipts from asset disposals and loan repayments
- Capital grants e.g. from Government or other local authorities
- Contributions from others e.g. Section 106 (S106) and Community Infrastructure Levy (CIL)
- Revenue Contributions to Capital e.g. from the Revenue Budget or Revenue Reserves
- Debt financing e.g. borrowing, capital market bonds, leasing

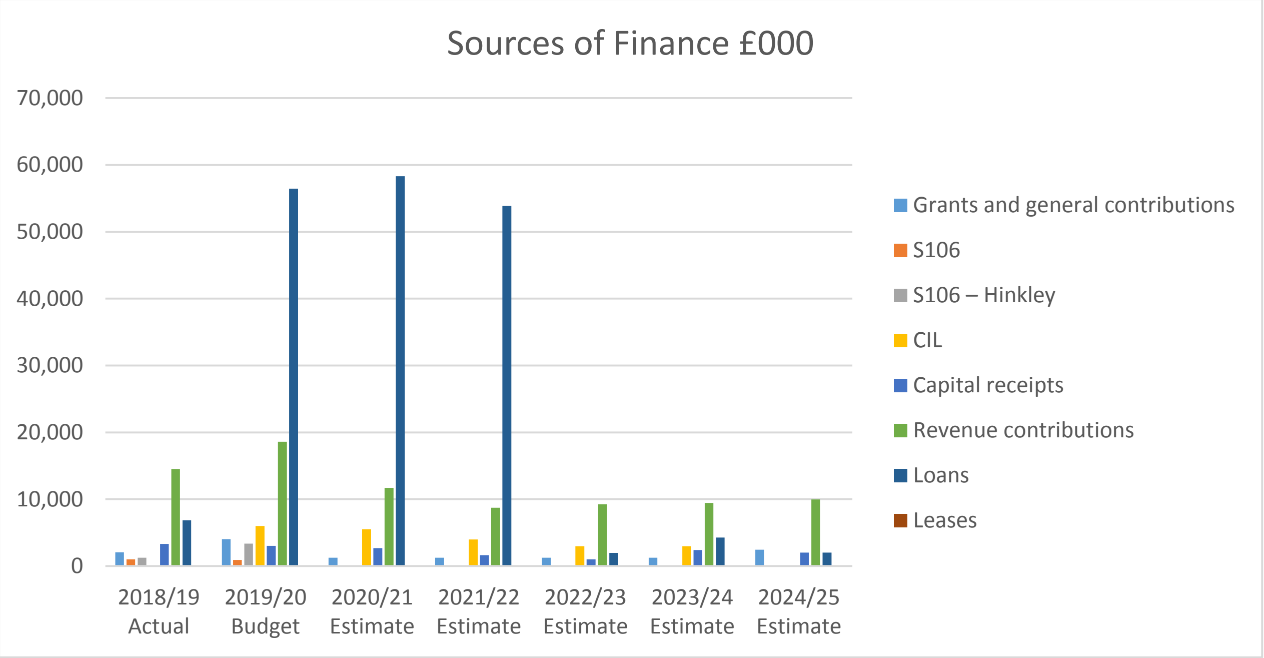
Capital Financing Plan

3.3 The planned financing of the capital expenditure in Table 1 above is as follows:

Table 2: Capital Financing Plan

	2018/19 Actual £k	2019/20 Budget £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k	Totals 2019/20-2024/25 £k
External Sources:								
Grants and general	2,077	4,016	1,274	1,274	1,274	1,274	2,435	13,624

	2018/19 Actual £k	2019/20 Budget £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k	Totals 2019/20-2024/25 £k
contributions								
S106	1,025	913	0	0	0	0	0	1,938
S106 – Hinkley	1,263	3,351	0	0	0	0	0	4,614
CIL	0	6,000	5,500	4,000	3,000	3,000	0	21,500
Sub-total – External	**4,365**	**14,280**	**6,774**	**5,274**	**4,274**	**4,274**	**2,435**	**41,676**
Own Resources:								
Capital receipts	3,302	3,022	2,704	1,636	990	2,402	2,009	16,065
Revenue contributions	14,546	18,579	11,678	8,726	9,263	9,437	9,949	82,178
Sub-total - Own	**17,848**	**21,601**	**14,328**	**10,362**	**10,253**	**11,839**	**11,958**	**98,243**
Debt:								
Loans	6,875	56,427	58,291	53,835	1,991	4,279	1,999	183,697
Leases	0	0	0	0	0	0	0	0
Sub-total - Debt	**6,875**	**56,427**	**58,291**	**58,835**	**1,991**	**4,279**	**1,999**	**183,697**
Total	**29,088**	**92,308**	**79,447**	**69,471**	**16,518**	**20,392**	**16,392**	**323,616**



3.4 The allocation of resources may vary over time, for example, where additional income is achieved through asset sales or obtaining external funding. The plan is therefore dynamic, and is overseen by the Council's S151 Officer to optimise financing arrangements on an ongoing basis. The estimates will not commit the Council to particular methods of financing. The s151 Officer will determine the actual financing of capital expenditure incurred at the end of the financial year.

3.5 The implications of financing capital expenditure from borrowing is that the expenditure is not funded immediately but charged to the revenue budget over a number of years. The Council may defer the timing of external borrowing on a short to medium term by using temporary cash resources held in reserves and balances. This practice, which is referred to as 'internal borrowing', does not reduce the magnitude of borrowing required or the level of funds held in reserves and balances; the funds are merely being utilised in the short term until they are required for their intended purpose. The timing of external borrowing and the balance of external / internal borrowing is determined by market conditions and the Council's cash flow position. Officers manage this position on a day to day basis in line with the overall Treasury Management Strategy.

3.6 Debt is only a temporary source of finance, since loans and leases must be repaid and this is, therefore, replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, capital receipts may be used to replace debt finance.

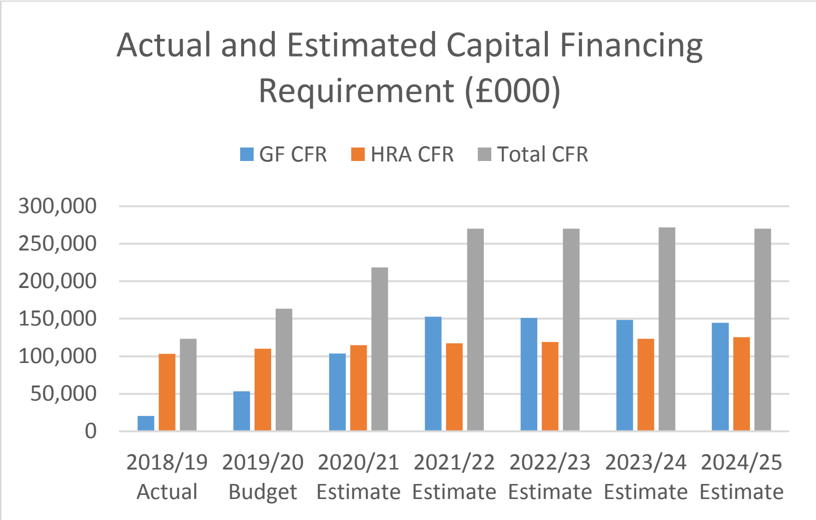
Capital Financing Requirement

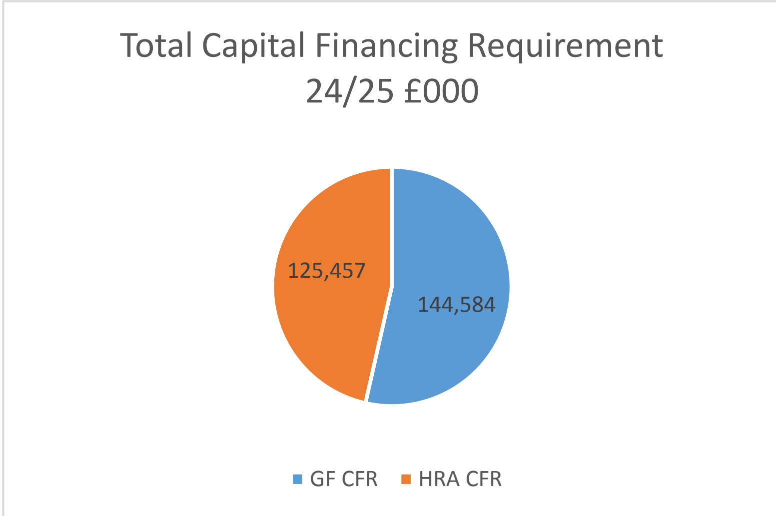
3.7 The Council's cumulative amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. Based on the above figures for expenditure and financing the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

Table 3: Prudential Indicator – Actual and Estimated Capital Financing Requirement

	2018/19 Actual £k	2019/20 Estimate £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k
General Fund							
CFR Balance b/f	14,402	20,455	53,334	103,745	152,859	151,024	148,274
Expenditure	17,709	69,215	63,603	57,338	4,893	4,673	1,673
MRP	-822	-455	-505	-945	-1,835	-2,750	-3,690
Capital receipts used to replace debt	-1,718	-3,022	-635	-455	0	0	0
Grants and Contributions	-9,116	-32,859	-12,052	-6,824	-4,893	-4,673	-1,673
Accounting adjustment - leases	0	0	0	0	0	0	0
GF CFR Balance c/f	20,455	53,334	103,745	152,859	151,024	148,274	144,584
HRA							
CFR Balance b/f	104,850	103,028	109,972	114,880	117,246	119,179	123,459
Expenditure	11,379	23,093	15,844	12,123	11,625	15,719	14,718
VRP	-1,821	-1,821	-1,821	-1,400	0	0	0
Capital receipts used to replace debt	-1,596	-3,675	-2,114	-1,181	-1,048	-2,402	-2,009
Grants and Contributions	-9,784	-10,653	-7,001	-7,176	-8,644	-9,037	-10,711

	2018/19 Actual £k	2019/20 Estimate £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k
Accounting adjustment - leases	0	0	0	0	0	0	0
HRA CFR Balance c/f	103,028	109,972	114,880	117,246	119,179	123,459	125,457
Total CFR Balance	**123,483**	**163,306**	**218,625**	**270,105**	**270,203**	**271,733**	**270,041**





3.8 The capital financing requirement for 2020/21 and subsequent years does not currently include an adjustment due to a change in the accounting for leases, however the calculation will it be updated if necessary as part of the mid-year report.

3.9 The chart shows that the Council's proposed capital strategy and capital investment plans are expected to increase the overall indebtedness position of the next 5 years. It is important to ensure such plans are affordable and the Council can meet the costs of this debt over the short and long term. This strategy considers affordability through a range of measures, for example, in respect of the Housing Revenue Account debt-financed expenditure we have introduced an interest cover ratio (ICR) benchmark of 1.25 to ensure borrowing costs are affordable. Other measures are shown within the prudential indicators shown with the Treasury Management Strategy section of this report.

Grants and Contributions

3.10 The Council will seek to access external funding towards its capital investment plans where funds are available and our schemes are within scope. Examples of grants may include Government schemes such Housing Infrastructure Fund, Future High Streets Fund and so on. We also receive contributions from other bodies such as developers in the form of S106 planning obligations contributions and Community Infrastructure Levy (see below). It is often the case that the Council will need to put some of its own resources towards a scheme in order to attract the external funding. However this can be effective in levering in funds to enable larger infrastructure investments to progress and mitigate marginal viability schemes.

3.11 The balance of capital grants reserves transferred to SWTC on 1 April 2019 was £5.344m. Of this sum, £5.200m is committed to financing the current approved Capital Programme. Bids are usually a competitive process therefore expenditure is usually only built into the approved capital programme once the funding has been confirmed.

S106

3.12 S106 contributions are agreed as contributions towards certain obligations through planning approvals. Contributions that related to district council services within SWT are paid to the Council, and are usually restricted on the nature of costs that the funds can be used for, such as public art, play areas and equipment, affordable housing provision. S106 can be used to fund both revenue and capital costs and therefore allocated to capital and revenue budgets accordingly.

3.13 Decisions regarding the allocation of funds may be taken by the relevant budget holder for the expenditure for amounts up to £20k, by Head of Function/Director/CEO and S151 Officer up to £50k and Portfolio Holder and S151 Officer above £50k.

Hinkley Point S106

3.14 Under the planning agreement for the development of Hinkley Point C nuclear power station, significant mitigation funds have been paid by EDF to the Council as the planning authority. The funds are used to contribute to enhanced service costs and can also be used for capital projects.

3.15 Proposals for the allocation of funds to specific projects are considered by the Planning Obligations Board, who will make recommendations to the Executive for schemes up to £250k, and by Full Council for larger schemes.

Community Infrastructure Levy (CIL)

3.16 The Council operates an approved CIL policy, with the levy payable on development in certain areas within the District. CIL is recognised as capital income and therefore provides resources to contribute to eligible infrastructure investment such as transport/roads, education, town centre regeneration and flood alleviation schemes. 15% (or 25% with an adopted Neighbourhood Plan) of CIL income is passed to town or parish councils, and 5% is allocated to fund administration costs.

3.17 The Policy is approved by Council and implemented by Officers. Council determines the allocation of CIL income to investment themes as part of the annual capital programme approval process. The Executive Committee or Portfolio Holder for Asset Management and Economic Development may agree specific scheme allocations for projects >£250k, or the Development and Place Director for projects <£250k, within the limits allocated by Council to each theme. Expenditure to be funded by CIL is only committed once CIL income has actually been received.

Table 4: Estimated CIL Retained Income (Net of town/parish share and administration costs)

	2018/19 Actual £k	2019/20 Estimate £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k
Net CIL Income	3,628	4,666	2,732	2,913	2,439	2,360

Capital Receipts

3.18 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts income.

3.19 The balance of capital receipts reserves transferred to SWTC on 1 April 2019 is £15.242m. Of this sum, £1.505m is committed to financing the current approved Capital Programme. The Council estimates it will receive £15.739m of capital receipts in the period 2019/20 to 2024/25 as set out below.

Table 5: Capital Receipts Income Estimates

	2018/19 Actual £k	2019/20 Estimate £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k
General Fund:							
Asset Disposals	1,028	1,093	1,375	2,050	0	0	0
Loans and Grants Repaid	0	0	0	0	0	0	0
Other	307	191	0	0	0	0	0
General Fund Total	**1,335**	**1,284**	**1,375**	**2,050**	**0**	**0**	**0**
HRA:							
Right to Buy Sales	2,334	2,798	2,069	1,139	990	1,733	1,733
Other	32	293	275	0	0	0	0
HRA Total	**2,366**	**3,091**	**2,344**	**1,139**	**990**	**1,733**	**1,733**
Total Receipts	**3,701**	**4,375**	**3,719**	**3,189**	**990**	**1,733**	**1,733**

3.20 The generation of capital receipts will be driven in part by the Asset Management Strategy, where the Council proposes a programme of proactive disposal of assets that are not performing to an acceptable level or are identified as surplus to requirements.

Flexible Use of Capital Receipts

3.21 In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their capital receipts from the sale of non-housing assets on revenue costs incurred to generate ongoing revenue savings, to reduce costs and / or transform service delivery in a way that reduces costs or demand for services in future years. This flexibility relates to expenditure which is properly incurred for the financial years 2016/17 to 2021/22.

3.22 Local authorities are only able to use capital receipts in the years in which this flexibility is offered. In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice. A flexible use of capital receipts policy will be presented to Council before the start of each financial year for which the flexibilities are proposed to be utilised, with the annual budget report.

3.23 TDBC and WSC previously agreed to utilise £3.135m (General Fund £1.975m, HRA £1.160m) of capital receipts income to support investment in transformation of services. As part of this strategy it is proposed to revise this plan to £2.2m for the whole 6 year period to 2021/22. For the period up to 31 March 2019, £1.134m has been used to fund eligible costs, and an additional £0.540m is budgeted to be used up to March 2022 as shown below. The total of £2.2m therefore includes c£0.5m of additional flexibility for further schemes in future that will contribute to financial sustainability of the Council. Detail regarding the proposed use of this funding is included in the Capital Programme, which will need to be underwritten by other resources if insufficient income is received.

Table 6: Flexible Use of Capital Receipts

	2016/17-2018/19 £k	2019/20 Estimate £k	2020/21 Estimate £k	2021/22 Estimate £k
General Fund Flexible Use of Capital Receipts	732	360	180	0
HRA Flexible Use of Capital Receipts	402	0	0	0
Total Flexible Use of Capital Receipts	**1,134**	**360**	**180**	**0**

Revenue Contributions to Capital

3.24 The Council proposes to support the financing of part of the Capital Programme through direct contributions of revenue funding. Annual contributions are determined through the setting of Capital Programme priorities and affordability within the Revenue Budget. Revenue contributions are predominantly directed towards recurring annual investments, with the advantage of reducing debt financing costs. Revenue Contributions are factored into the Revenue MTFP and the Capital Programme financing plan, as summarised in Table 2 above.

4 Treasury Management and Borrowing Strategy

4.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing. The Council is typically cash rich in the short-term as revenue is earned before it is spent but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing need.

4.2 Due to previous spending and financing decisions within the Council's predecessor authorities, £92.5m of external borrowing was transferred to the Council on 1 April 2019, together with treasury investments totalling £42.4m.

4.3 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting and the Council, therefore, seeks to strike a balance between cheaper short-term loans (currently available at around 0.75%-1%) and long term fixed rate loans where the future cost is known but higher (currently 2%-3.3%).

4.4 Council's do not borrow for specific assets and cannot use local authority assets as security. Borrowing is undertaken to meet the capital financing requirement as a whole (less any short term use of temporary cash balances).

Public Works Loans Board (PWLB)

4.5 A common source of borrowing for local authorities is the Treasury, through the Debt Management Office, which took over the responsibilities of the previous Public Works Loans Board (although the term PWLB is still commonly used). There are a number of advantages to using the PWLB as a source of borrowing, such as

- Funds can be accessed quickly – usually within 2-3 days of notice
- It is simple to arrange with limited time and effort required
- The Council does not require a credit rating
- Borrowing is not linked to any specific asset, but can provide the resources need to meet the overall capital financing requirement.

4.6 The PWLB currently offers a discounted 'certainty rate' at 0.2% below its standard rates, triggered by the Council completing an annual return to Government. It also offers a discounted 'infrastructure rate' which is 0.4% below its standard rate, which is subject to a competitive bidding process.

4.7 In October, in response to the Treasury's concern about growing total debt balances for local government, the PWLB standard and certainty rates were increased by 1% without notice. As a consequence the Council is more likely to explore alternative sources of long term finance such as issuing bonds to the capital markets (typically pension funds and insurance companies).

Total Debt Position

4.8 Projected levels of the Council's total outstanding external debt are shown below, compared with the CFR (as detailed above). Statutory guidance is that actual debt should remain below the CFR, except in the short-term. As can be seen from the Table the Council expects to comply with this in the medium term.

Table 7: Prudential Indicator – Gross Debt and the CFR

	2018/19 Actual £k	2019/20 Budget £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k
GF External Debt	10,000	0	50,000	100,000	100,000	100,000	100,000
HRA External Debt	82,500	82,500	79,000	75,500	65,500	60,500	53,500
In Year Borrowing Requirement *	30,983	80,806	89,625	94,605	104,703	111,233	116,541
Total Debt	**123,483**	**163,306**	**218,625**	**270,105**	**270,203**	**271,733**	**270,041**
General Fund CFR	20,455	53,334	103,745	152,859	151,024	148,274	144,584
HRA CFR	103,028	109,972	114,880	117,246	119,179	123,459	125,457
Total CFR	**123,483**	**163,306**	**218,625**	**270,105**	**270,203**	**271,733**	**270,041**

* In year borrowing requirement will either be funded by external borrowing or use of existing balances and reserves (internal borrowing).

Liability Benchmark

4.9 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 that cash and investment balances are kept to a minimum level of £30.0m at each year-end. This benchmark is currently forecast to be £41.5m at 31 March 2020 and is forecast to rise to £82.2m at 31 March 2025.

Table 8: Actual External Borrowing and the Liability Benchmark

	2018/19 Actual £k	2019/20 Budget £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k
Outstanding External Borrowing	92,500	82,500	129,000	175,500	165,500	160,500	153,500
Liability Benchmark	-27,608	41,506	55,325	60,305	70,403	76,933	82,241

4.10 The table shows that the Council expects to remain borrowed above its liability benchmark. This is because cash outflows to date have been below the assumptions made. Further detail on the liability benchmark is included in the Treasury Management Strategy below.

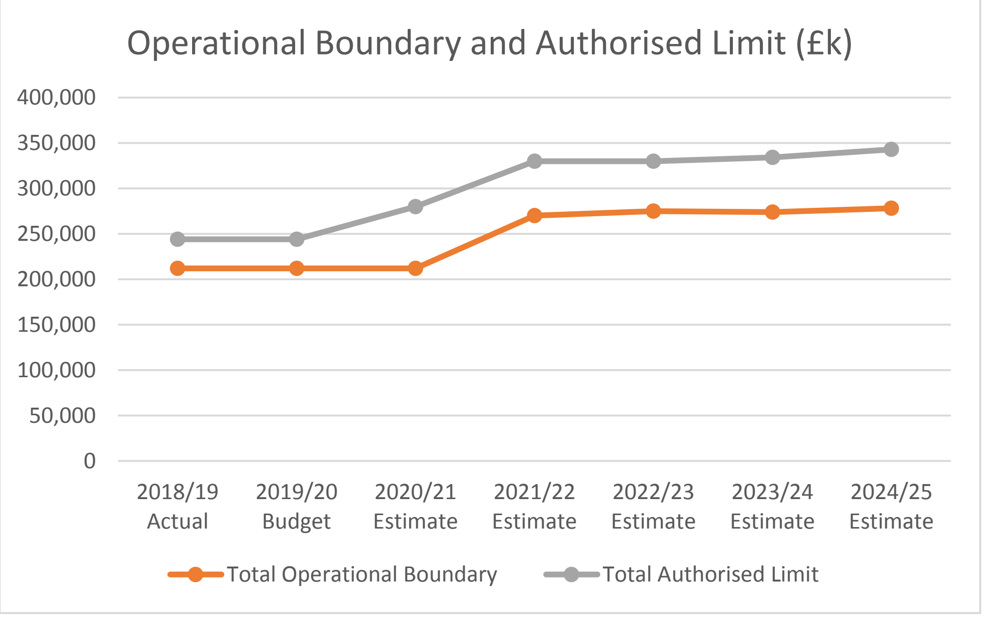
5 Affordable Borrowing Limit

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

Table 9: Prudential Indicators – Authorised Limit and Operational Boundary for external debt

	2018/19 Actual £k	2019/20 Budget £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k
Operational Boundary:							
Borrowing	212,000	212,000	212,000	270,000	275,000	274,000	278,000
Leases							
Total Operational Boundary	**212,000**	**212,000**	**212,000**	**270,000**	**275,000**	**274,000**	**278,000**
Authorised Limit:							
Borrowing	244,000	244,000	280,000	330,000	330,000	334,000	343,000
Leases							
Total Authorised Limit	**244,000**	**244,000**	**280,000**	**330,000**	**330,000**	**334,000**	**343,000**

	2018/19 Actual £k	2019/20 Budget £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k
Memo – Indicative Authorised limits for GF and HRA:							
General Fund	128,000	128,000	125,000	175,000	175,000	175,000	175,000
HRA	116,000	116,000	155,000	155,000	155,000	159,000	168,000



5.2 The total borrowing limit applies to the combined borrowing requirement for the General Fund and the Housing Revenue Account. As borrowing is managed on a pooled basis for cash flow purposes the above limits relate to the whole-Council position. However, indicative splits between the GF and HRA are included as a memorandum item although not specifically required for the prudential indicator.

5.3 Further details of existing borrowing can be found in the Treasury Management Strategy Statement.

6 Investment Strategy

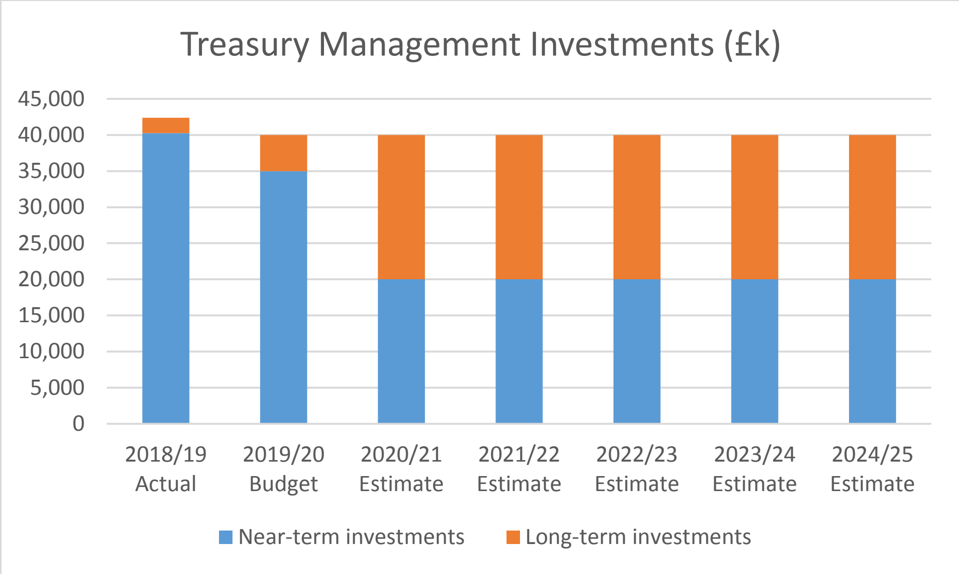
6.1 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

6.2 The Council's policy on treasury investments is to prioritise security and liquidity over yield, therefore to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high quality banks to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

6.3 As part of the Council's financial strategy, the aim is to evolve the balance within the investment portfolio to improve the net income available through treasury management to fund services, whilst maintaining a prudent balance between security, liquidity and yield. Subject to long term cash flow forecasts, it is anticipated there will be an increase in funds held as longer term investments (although may normally be accessed within 2-3 months if required). As these may expose a proportion of funds to a higher risk of capital value volatility, the S151 Officer proposes to mitigate this by holding a risk-assessed minimum balance of funds in a Treasury Risk Reserve. The assessment of adequate general reserves also incorporates an element of risk to investment income assumptions.

Table 10: Treasury Management Investments

	2018/19 Actual £k	2019/20 Budget £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k
Near-term investments	40,267	35,000	20,000	20,000	20,000	20,000	20,000
Long-term investments	2,129	5,000	20,000	20,000	20,000	20,000	20,000
Total	**42,396**	**40,000**	**40,000**	**40,000**	**40,000**	**40,000**	**40,000**



6.4 Further details of existing treasury investments can be found in the Treasury Management Strategy below.

6.5 The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

6.6 Decisions on treasury management and borrowing are made daily and are, therefore, delegated to the s151 Officer and his staff who must act in line with the Treasury Management Strategy approved by Full Council. Reports on treasury management activities are presented to the Audit Governance and Standards Committee mid-year and at year-end.

7 Investment for Service Purposes

7.1 The Council makes investments to assist local public services, including making loans to local small businesses to promote economic growth. Examples of current loans are included in the Investment Strategy below.

7.2 In light of the public service objective, the Council is willing to take more risk than with treasury investments, however, it still plans for such investments to generate a positive investment return after all costs are covered.

7.3 Decisions on service investments are made by the relevant service manager in consultation with the s151 officer and must meet the criteria and limits laid down in the investment strategy. Most loans are capital expenditure and purchases will, therefore, also be approved by Committee or through delegated powers as part of the capital programme.

7.4 Further details on service investments are contained in the Investment Strategy.

8 Commercial Investment Activities

8.1 Local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and they may wish to hold investments to facilitate this. When determining whether to acquire, the Council needs to recognise the contribution the asset will make. The contribution could be classified as direct service delivery and/or place-making, for example economic growth, business rates growth, responding to market failure or sustainability of certain asset classifications.

8.2 With central government financial support for local public services declining the Council intends to diversify into investments in commercial property mainly for financial gain, primarily in order to provide an alternative income stream to fund services locally but also where appropriate for capital growth.

8.3 On 1 April 2019, investment properties valued at £21.70m were transferred to SWTC from its predecessor Councils, which generated a net yield of £0.80m in 2018/19.

8.4 The Council has agreed to increase its commercial investment activity over the next 2-3 years to help mitigate the reduction in central government financial support and avoid cuts to local services. With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The priorities for the Council when acquiring property interests for investment purposes are detailed below and each property will be assessed on a case by case basis:

- Covenant strength: in the case of a let property, the quality of the tenant and, more importantly, their ability to pay the rent on time and in full. The Council’s primary reason and objective for this strategy is financial gain. The underlying principles of a Property Investment Strategy imply, assume and default to nothing taking higher priority than financial gain. It is however worth noting that the Council, as a public body, may not wish to invest in properties where the occupiers are generally seen to be undertaking a business which is contrary to its corporate values.

- Lease length: in the case of a let property, the unexpired length of the term of the lease or a tenant's break clause is of key importance in ensuring that the landlord's revenue stream is uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacement tenants at acceptable rental levels. Generally occupiers are moving away from 25 year leases which were more common back in the late twentieth century with 10 to 15 years or shorter now becoming more acceptable unless some form of lease break provisions are included in favour of the tenant.
- Rate of Return: the rate of return from the property (for example through annual rental incomes) will need to be equivalent or better to the returns that could be earned from alternate investments, such as placing monies on deposit, following adjustment for risks and potential growth. The property will also need to produce an annual return in excess of the cost of borrowing.
- Risk: rate of return is one side of the coin; risk is the other. In general, the higher the sought level of return from an investment, the higher level of risk that it carries. For example, if a property is let at an attractive rent which would create a good return, it could still be risky if the tenant does not possess good covenant strength and could default at any time.
- Lease terms: The terms of leases vary and even those held on an "Institutionally acceptable basis" can be very different in nature particularly as such leases have developed over time. The Council is seeking to invest in modern leases with full repairing and insuring obligations on the Tenant and a full Service Charge recovery to include any management fees where applicable. This will ensure a certain income/return to the Council.
- Growth: property has the potential for both revenue and capital growth. The Council will take into account that potential when assessing the strength of the investment opportunity. Property values can fall as well as rise and mechanisms to minimise revenue reductions should be identified. Generally the nature of standard, institutional leases is that rent review clauses are upward only which protects landlords from any downward pressure on rental income giving some security as to the level of income.
- Location: should a tenant default or vacate, the location of the property is the key factor in influencing the ability to re-let and find another tenant. Location is also important when considering future redevelopment or regeneration opportunities. Ideally the Council will be able to undertake inspections and to deal with any management issues without the need to employ specialists or agents. Preference should be given to properties located within the district or functional economic area. This does not prevent investment outside of district, subject to the appropriate justification and business case and correct governance procedure. Equally, geographical diversification is an important factor in spreading portfolio risk.

- Sector: information as to the sector of use of the property (e.g. office, retail, industrial, leisure) will assist in deciding on the risks associated with specific properties and the mix of sectors within the portfolio. Sector diversification is an important factor in spreading portfolio risk.
- Property age and specification: in the case of a let property, whilst the Council as an investor may be principally concerned with the characteristics of the tenant and lease, the age and specification of the property will also affect the ability of the Council to let or sell the property in the future. It must also be taken into consideration in respect of the cost of protecting the investment. An example of this would be the undertaking of repairs and refurbishment if the cost cannot be fully recovered from the tenant.

8.5 In summary the strategy for acquiring and managing the portfolio of investment property assets is therefore to:

- Seek property let to tenants who are of strong covenant strength and sound financial standing with at least more than five years remaining on an FRI lease.
- Minimise risk.
- Maximise rental income and minimise management costs to ensure the best return is generated, thus making a positive contribution to the MTFP.
- Identify opportunities for future growth, redevelopment or regeneration via property in commercially popular or development areas.
- Prioritise key towns in Somerset West and Taunton where this complements the portfolio risk balance, but pursue a geographical mix to spread risk.
- Pursue opportunities to increase returns and improve the investment value of commercial assets.

8.6 Environmental, Social and Governance (ESG) considerations - the Council has declared a policy objective of no direct investment in fracking, and seeking investment that does not conflict with its climate change priority. The aim is therefore to consider the Council's principles and priorities around ethics, social value and the environment as part of the investment decision process.

8.7 Decisions on commercial investments are delegated by the Council to the Investment Board in line with the criteria and limits approved by Full Council in December 2019. Property and most other commercial investments are also capital expenditure and purchases will therefore be reported as part of the capital programme. Performance of the investment portfolio will be reported to the Executive and also be incorporated within the overall financial monitoring reports throughout the year.

8.8 Further details on commercial investments and limits on their use are set out in the Investment Strategy.

9 Liabilities

9.1 In addition to capital debt as detailed above the Council is committed to making future payments to cover its pension deficit, which was valued at £105.70m on 1 April 2019. This balance is due to be paid over a 20 year period, and the deficit and annual contributions are revalued every three years. It has also set aside £3.50m to cover provisions for probable costs. The Council is also at risk of having to pay for contingent liabilities but has not put aside any money because payment is contingent on, as yet, unknown events occurring which may crystallise possible amounts due.

9.2 Decisions on incurring new discretionary liabilities are taken by senior managers and service managers in consultation with the s151 Officer. The risk of liabilities crystallising and requiring payment is monitored by the finance team and reported to the s151 Officer.

9.3 Further details on liabilities and guarantees can be found in the 2018/19 Statements of Accounts for Taunton Deane Borough Council and West Somerset Council. These transferred to Somerset West and Taunton Council on 1 April 2019.

10 Revenue Budget Implications

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

Table 11: Prudential Indicator – Proportion of financing costs to net revenue stream

	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Financing Costs (£m)	0.030	-0.018	-0.156	0.326	1.219	2.137	3.071
Proportion of Net Revenue Stream	0.15%	-0.08%	-0.74%	1.80%	6.60%	11.88%	16.44%

10.2 Financing costs for 2020/21 and subsequent years do not currently include an increase due to a change in the accounting for leases and will be updated if required as part of the mid-year report.

10.3 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 60 years into the future. The Strategic Finance Advisor and S151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable. All capital investment must be sustainable in the long term through revenue support by the Council or its partners. All capital investment decisions consider the revenue implications both in terms of servicing the finance and running costs of the new assets. The impact of the revenue implications is a significant factor in determining approval of projects. The use of capital resources has been fully taken into account in the production of the Council's MTFP.

11 Knowledge and Skills

11.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Strategic Finance Advisor and s151 Officer is a qualified accountant with many years' relevant experience. There are several other professionally qualified Finance Specialists within the Council's finance function, and the Council pays towards staff to study towards relevant qualifications including AAT and CCAB/CIMA. All officers involved in the treasury and investment management function have access to relevant technical guidance and training to enable them to acquire and maintain the appropriate level of expertise, knowledge and skills to undertake the duties and responsibilities allocated to them.

11.2 The Council also employs qualified property specialists / surveyors to manage land and property assets, and contribute to key asset decisions.

11.3 Legal specialist advice is provided to the Council through the SHAPE legal partnership.

11.4 Where council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and various property consultants as required. This approach is considered to be cost effective and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

11.5 Those charged with governance (Members of the Audit Governance and Standards Committee and the Executive) recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. The Section 151 Officer will ensure that elected members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Investment Strategy

1 Introduction

1.1 The Council invests funds that it holds for three broad purposes:

i) because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),

ii) to support local public services by lending to or buying shares in other organisations (**service investments**), and

iii) to earn investment income (known as **commercial investments** where this is the main purpose)

1.2 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

2 Treasury Management Investments

2.1 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is expected to fluctuate between £35m and £60m during the 2020/21 financial year.

2.2 The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

2.3 Full details of the Council's policies and its plan for 2020/21 for treasury management investments are covered in the treasury management strategy later in this document.

3 Service Investments – Loans

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

- Somerset County Cricket Club – delivering the new Pavilion and bringing international cricket to Somerset.
- Great Western Hotel – regenerating a derelict building, and creating employment and training
- Hestercombe House and Gardens – enabling loan for development feasibility work
- Somerset Waste Partnership – for waste vehicles, with added benefit of keeping waste contract costs down
- Residents – housing related mortgages
- Centre for Outdoor Activity and Community Hub (COACH) – purpose built community centre including a café, conference suite, changing rooms, boat store and home to 5 community sports clubs

3.2 The Council also has agreements in place to provide loans to the Onion Collective CIC for the Watchet East Quay redevelopment scheme, and to Great Western Railway for improvements to Taunton Station. The Council has also included provision in its Capital Programme to provide further loan finance to the Somerset Waste Partnership for new vehicles, depot works and bins / boxes to deliver Recycle More under the new waste contract.

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

Table 12: Loans for Service Purposes

	Actual as at 31/03/2019			
Category of borrower	Balance Owing £k	Loss Allowance £k	Net Figure In Accounts* £k	2020/21 Approved Limit £k
Businesses	1,565	-31	1,534	7,000
Charities / Community Interest Company	39	-1	38	2,000
Local authorities	1,017	0	1,017	6,800
Residents	0	0	0	200
Total	**2,621**	**-32**	**2,589**	**16,000**

*The figures for the year ended 31 March 2019 are consolidated from TDBC and WSC Accounts.

3.4 Accounting standards require the Council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Councils statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.5 The Council assesses the risk of loss before entering into and whilst holding service loans by working up a robust business case and applying due diligence to all requests for service loans, and proportionate monitoring of credit risk of borrowers. For example, with loans to key businesses the Council's finance specialist team (qualified accountants) will review financial statements and service officers will maintain communication with the borrower in order that emerging risks are identified promptly. The Council will use credit rating information where available, and will use external specialist advisors if appropriate.

4 Service Investments – Shares

4.1 The Council does not currently hold any direct investment in the shares of subsidiaries, its suppliers or local businesses. As part of the Council's commercialisation agenda, the Council may explore opportunities to establish wholly-owned or partly-owned trading companies. In any such case, appropriate business cases, due diligence, risk assessment and governance proposals will be developed for consideration of Full Council. In addition, relevant provisions would be added to the Investment Strategy including the expected contribution to the Council's strategies and priorities, and the security and liquidity of investments.

5 Commercial Investments – Property

5.1 The Council invests in a diverse investment property portfolio both locally and nationally with the intention of generating surplus income that will be spent on local public services delivered within the district. This is an essential response to significant reductions in government funding over recent years, in order to meet service delivery objectives and the place making role of the Council, and avoid service cuts. The council plans to increase its investment by up to £100m over the next 2-3 years.

5.2 The Council holds a number of assets that were initially acquired for service purposes such as benefitting the local economy but have since been reclassified as investment properties. These are now established and the main purpose for holding the assets is for rental income. The following table summarises the investment properties transferred to the Council on 1 April 2019 from TDBC and WSC.

Table 13: Properties held for investment purposes

	Value In Accounts As At 1 April 2019 £k
Thales Site, Lisieux Way, Taunton	1,608
Land used for Scrap Yard, Priory Way, Taunton	591
The Market House, The Parade, Taunton	1,626
Blackdown Business Park, Wellington (4 Units)	1,333
Ex Taunton Livestock Market, Priory Bridge Road, Taunton	12,553
Development Land at 3 Canal Road	480
The Arcade, Sea Front, Minehead	314
Roughmoor Enterprise Centre, Williton	1,399
All Others (Values under £250k)	1,767
Totals	**21,671**

5.3 In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. The Council also recognises that asset values may increase and decrease over time due to market volatility, and takes a long term perspective with the assumption that capital values are likely to hold or grow over the life of the asset.

5.4 *Where value in accounts is at or above purchase cost:* A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2019/20 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

5.5 The Council assesses the risk of loss before entering into and whilst holding property investments by undertaking appropriate due diligence including full valuation surveys and operating an asset management plan. The Council also considers strength of local market conditions to give confidence on future re-letting and also considers possible alternative uses if appropriate, and actively monitors the portfolio to ensure tenant obligations for maintaining assets are fulfilled.

5.6 Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council actively manages cash flow through its treasury management arrangements and plans to under-borrow against its CFR so that it can temporarily borrow at short notice if required.

6 Financial Guarantees

6.1 Although not strictly counted as investments, since no money has exchanged hands yet, financial guarantees carry similar risks to the Council and are included here for completeness.

6.2 The following guarantees were transferred to the Council from TDBC and WSC on 1 April 2019, as reported in the TDBC and WSC Statement of Accounts for 2018/19:

- Greenwich Leisure Limited Pension Liability (minimal – contract expired 31 July 2020)
- South West Audit Partnership Limited Pension Liability £0.268m (as at 31 March 2019)

7 Proportionality

7.1 The Council currently has a low dependency on investment property income, but with increased investment the Council plans to become dependent on income generating investment activity to achieve a balanced revenue budget. Table 14 below shows the extent to which the expenditure planned to meet the service delivery objectives and place making role of the Council is dependent on achieving the expected net income from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net income, the Council's contingency plans for continuing to provide these services including holding adequate funds in an earmarked Investment Risk Reserve as well as carrying adequate General Reserves. Budget estimates are also set using prudent assumptions about net income from the portfolio including an allowance for voids / non-collection.

Table 14: Proportionality of Investments

	2018/19 Actual £k	2019/20 Estimate £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k
Gross Service Expenditure	89,076	90,858	92,879	94,940	97,043	99,88	101,376
Investment Income	1,621	1,467	5,201	7,030	8,820	8,810	8,810
Proportion	1.82%	1.61%	5.60%	7.40%	9.09%	8.88%	8.69%

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

8 Borrowing In Advance of Need

8.1 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council has chosen not to follow this guidance and plans to borrow for this purpose because generating investment income is now essential to respond to the large scale reductions in grant funding from Government. The Council (and its predecessors) has already sought to mitigate this reduction through service cost reductions, combining into a single workforce followed by the creation of the single new council entity, and driving further efficiency by transforming how we work and effectively managing demand for services. Increasing income is also part of the strategy to mitigate the significant funding reductions.

9 Capacity, Skills and Culture

9.1 Officers involved in the investment making decision process are governed by internal procedures and processes and external statutory guidance in the form of the CIPFA Treasury Management Code and MHCLG Investment guidance. Internally limits are set in the annual Treasury Management Strategy Statement and the overriding Treasury Management Practices. The Council team dealing with investment assessments and management are professionally qualified and experienced in their field of property, finance and legal, with access to training as required. Specialist advice will also be bought in for non-traditional property investments as required.

9.2 Members on the Investment Board are responsible for the commercial and finance portfolios, and will have access to relevant commercial property training for example as provided by the LGA or CIPFA as well as being advised by professional specialists.

9.3 The Commercial Investment function will lead on business case development and engagement with the market, including negotiations for acquisitions and disposals, operating within parameters set by Council within the approved commercial strategy. The team is guided by the Strategic Finance Advisor and S151 Officer and other finance specialists on the prudential framework and guidance within which the Council operates.

9.4 The Council recognises that the governance arrangements for building and managing a commercial investment property portfolio needs to be agile, and appropriately resourced to enable opportunities to be assessed and investment decisions to be made quickly. Appropriate time is also allowed between offer/acceptance and completion to enable full due diligence and legal agreements to be finalised. Full Council is responsible for agreeing the strategy and total fund value, with delegated authority given to the Investment Board to approve individual transactions within the portfolio. The Board consists of the Leader and two Portfolio Holders, the Chief Executive, and S151 Officer, and two Members from the non-ruling group may attend but without voting rights. The Board is advised by an Investment Panel that reviews projects and recommends for approval, with individual opportunities assessed by a Project Group consisting of key specialists.

10 Investment Indicators

10.1 The Council has set the following quantitative indicators to allow elected measures and the public to assess the Council's total risk exposure as a result of its investment decisions.

Total investment exposure:

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

Table 15: Total Investment Exposure

	Actual 1/4/2019 £k	Forecast 31/3/2020 £k	Forecast 31/3/2021 £k	Forecast 31/3/2022 £k	Forecast 31/3/2023 £k
Treasury Management Investments – Strategic Funds	10,000	16,000	20,000	20,000	20,000
Treasury Management Investments – Other	32,396	24,000	20,000	20,000	20,000
Service Investments – Loans	2,596	2,196	1,796	1,396	996
Commercial Investment – Property	0	50,000	100,000	100,000	100,000
Total Investments	**44,992**	**92,196**	**141,796**	**141,396**	**140,996**
Commitments to Lend	7,500	11,577	12,500	12,500	12,500
Guarantees Issued on Pension Liabilities	268	268	268	268	268
Total Commitments and Guarantees	**7,768**	**11,845**	**12,768**	**12,768**	**12,768**
Total Exposure	**52,840**	**104,041**	**154,564**	**154,164**	**153,764**

How investments are funded:

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

Table 16: Investments funded by Borrowing

	Actual 1/4/2019 £k	Forecast 31/3/2020 £k	Forecast 31/3/2021 £k	Forecast 31/3/2022 £k	Forecast 31/3/2023 £k
Service Investments – Loans	2,596	2,196	1,796	1,396	996
Commercial Investment – Property	0	50,000	100,000	100,000	100,000
Commitments to Lend	7,500	11,577	12,500	12,500	12,500
Total Funded by Borrowing	**10,096**	**63,773**	**114,296**	**113,896**	**113,496**

Rate of return received:

10.4 The Council seeks to achieve a commensurate rate of return in line with this investment objectives and risk appetite. For service loans, the rate of return will be set with the aim of covering financing costs (or opportunity costs) plus a premium for risk. Arrangement. The target return on investment properties is commercially sensitive and therefore not disclosed, however the Council expects to offset its acquisition, financing and management costs and provide a net income to fund local services.

Other investment indicators:

10.5 The Government's investment guidance suggests authorities should consider a range of other quantitative indicators to show risks and opportunities in respect of investment and borrowing. The Council will therefore develop appropriate indicators and present these as part of the mid-year report.

Treasury Management Strategy

1 Introduction

1.1 Treasury management is the management of the Council's cash flows, borrowing and investments and the associated risks. The Council has borrowed and invested substantial sums of money and is, therefore, exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of finical risk are, therefore, central to the Council's prudent financial management.

1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

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

2 External Context

2.1 The treasury strategy appropriately considers the wider economic picture. The Council's treasury advisor – Arlingclose – has provided a summary commentary on this wider context and their own interest rate forecasts, which is provided in Appendix A.

3 Local Context

3.1 The Council's predecessor Council's transferred their investment and borrowing balances to Somerset West and Taunton Council on 1 April 2019. On 16 December 2019, the Council held £82.5m of borrowing and £46.7m of treasury investments. These balances are summarised below.

Table 17: Existing Debt and Investment Position

	1/4/2019 TDBC Balances Transferred £k	1/4/2019 WSC Balances Transferred £k	1/4/2019 SWTC Opening Balance £k	16/12/2019 SWTC Actual Portfolio £k
External Borrowing:				
Public Works Loan Board (PWLB)	-79,500	0	-79,500	-79,500
Barclays	-3,000	0	-3,000	-3,000
Portsmouth City Council	-10,000	0	-10,000	0
Total External Borrowing	**-92,500**	**0**	**-92,500**	**-82,500**
Treasury Investments:				
Banks and building societies (unsecured)	1,800	116	1,916	2,207
Covered bonds (secured)	2,128	0	2,128	2,062
Government including local authorities	0	12,042	12,042	7,540
Fixed Term Deposits	3,000	0	3,000	2,000
Money Market Funds	3,000	1,310	4,310	15,960
Corporate Funds and Multi Asset Investments	16,000	0	16,000	16,975
Certificates of Deposit	3,000	0	3,000	0
Total Treasury Investments	**28,928**	**13,468**	**42,396**	**46,744**
Net Debt	**-63,572**	**13,468**	**-50,104**	**-35,756**

3.2 Forecast changes in these sums are shown in the balance sheet analysis in Table 18 below.

Table 18: Balance Sheet Summary and Forecast

	1/4/2019 Actual £k	31/3/2020 Estimate £k	31/3/2021 Estimate £k	31/3/2022 Estimate £k	31/3/2023 Estimate £k	31/3/2024 Estimate £k
CFR – General Fund	20,455	53,334	53,745	52,859	51,024	48,274
CFR – HRA	103,028	109,972	114,880	117,246	119,179	123,459
CFR – Investments	0	0	50,000	100,000	100,000	100,000
Total CFR	**123,485**	**163,306**	**218,625**	**270,105**	**270,203**	**271,733**
Less: External Borrowing	-92,500	-82,500	-129,000	-175,500	-165,500	-160,500
Less: Other debt liabilities (leases)	0	0	0	0	0	0
Internal Borrowing	30,983	80,806	89,625	94,605	104,703	111,233
Less: Usable reserves	-50,438	-45,000	-40,000	-40,000	-40,000	-40,000
Less: Working capital surplus (-) / deficit	-18,153	-24,300	-24,300	-24,300	-24,300	-24,300
Treasury Investments (-) / New Borrowing	**-37,608**	**11,506**	**25,325**	**30,305**	**40,403**	**46,933**

3.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.4 The Council has an increasing CFR due to the capital programme including anticipated investment property acquisition. The trend of increased expenditure indicates it will be required to borrow up to £46.93m over the forecast period.

3.5 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation over the medium term.

Liability benchmark:

3.6 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 18 above, but that cash and investment balances are kept to a minimum level of £30.0m at each year-end to maintain sufficient liquidity but minimise credit risk. This value is based on the advice received from Arlingclose, the Council's treasury management advisors.

Table 19: Liability benchmark

	1/4/2019 Actual £k	31/3/2020 Estimate £k	31/3/2021 Estimate £k	31/3/2022 Estimate £k	31/3/2023 Estimate £k	31/3/2024 Estimate £k
Total CFR	123,485	163,306	218,625	270,105	270,203	271,733
Less: External Borrowing	-92,500	-82,500	-129,000	-175,500	-165,500	-160,500
Less: Usable reserves	-50,438	-45,000	-40,000	-40,000	-40,000	-40,000
Less: Working capital	-18,153	-10,000	-24,300	-24,300	-24,300	-24,300
Plus: Minimum investments	10,000	30,000	30,000	30,000	30,000	30,000
Liability benchmark	**-27,608**	**41,506**	**55,325**	**60,305**	**70,403**	**76,933**

3.7 Following on from the medium-term forecasts in table 19 above, the long-term liability benchmark assumes capital expenditure funded by borrowing will need to increase by at least £77.0m by 2024 if spending forecasts are met, minimum revenue provision on new capital expenditure based on a 48 year weighted average asset life and income, expenditure and reserves all increasing by inflation of 2% a year.

4 Borrowing Strategy

4.1 The Council currently holds £82.50m of loans (as at 16 December 2019), compared to £92.50m on 1 April 2019, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 18 shows that the Council expects to borrow up to £50.00m in 2020/21. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £280.00m in 2020/21.

4.2 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.

4.3 Given the significant cuts to public expenditure and in particular local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short term to either use internal resources, or to borrow short term loans instead.

4.4 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.5 The Council (and its predecessors) has previously raised the majority of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Council will now explore alternative options to borrow any long-term loans from other sources including banks, pensions and local authorities, and will 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 Code.

4.6 Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period (although forward loan interest rates will usually factor in an allowance for interest rate risk during the intervening period).

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

4.8 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private pension funds (except Somerset County Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

4.9 Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private finance initiative
- Sale and leaseback

4.10 Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

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

4.12 Debt rescheduling: 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. 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.

5 Treasury Investment Strategy

5.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the first six months of 2019/20 to 30th September 2019, the Council's investment balance has ranged between £38.30m and £60.40m, and similar levels are expected to be maintained in the forthcoming year.

5.2 The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

5.3 If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5.4 Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2020/21. This is especially the case for the estimated £20.00m that is available for longer-term investment. A proportion of the Council's surplus cash is currently invested in short-term unsecured bank deposits, money market funds and other local authorities. This diversification will represent a continuation of the new strategy adopted in earlier years, with an enhanced opportunity to utilise strategic investment pooled funds as the resources of the two predecessor Councils are combined.

5.5 Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's 'business model' for managing them. The Council aims to achieve value for money from its internally managed treasury investments by a business model of collecting the contractual cash flows and, therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved Counterparties

5.6 The Council may invest its surplus funds with any of the counterparty types in table 20 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 20: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£5m 5 years	£9m 20 years	£9m 50 years	£5m 20 years	£5m 20 years
AA+	£5m 5 years	£9m 10 years	£9m 25 years	£5m 10 years	£5m 10 years
AA	£5m 4 years	£9m 5 years	£9m 15 years	£5m 5 years	£5m 10 years
AA-	£5m 3 years	£9m 4 years	£9m 10 years	£5m 4 years	£5m 10 years
A+	£5m 2 years	£9m 3 years	£5m 5 years	£5m 3 years	£5m 5 years
A	£5m 13 months	£9m 2 years	£5m 5 years	£5m 2 years	£5m 5 years
A-	£5m 6 months	£9m 13 months	£5m 5 years	£5m 13 months	£5m 5 years
None	£1m 6 months	n/a	£9m 25 years	£50k 5 years	£5m 5 years
Pooled funds and real estate investment trusts		Up to £7m each fund or trust			

5.7 **Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.8 **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

5.9 **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.

5.10 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £2m per company as part of a diversified pool in order to spread the risk widely.

5.11 **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.12 **Pooled funds:** Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. 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.

5.13 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

5.14 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

5.15 **Operational bank accounts:** The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £500,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

5.16 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

5.17 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.18 **Other information on the security of investments**: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.19 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Investment Limits

5.20 The Council's revenue reserves available to cover investment losses are forecast to be £28m on 31 March 2020. In order that no more than 25% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £7m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 21: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£7m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£9m per group
Any group of pooled funds under the same management	£21m per manager
Negotiable instruments held in a broker's nominee account	£21m per broker
Foreign countries	£9m per country

	Cash limit
Registered providers and registered social landlords	£21m in total
Unsecured investments with building societies	£9m in total
Loans to unrated corporates	£9m in total
Money market funds	£42m in total
Real estate investment trusts	£21m in total

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

6 Treasury Management Indicators

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

Security

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

Credit risk indicator	Target
Portfolio average credit rating	A-

Liquidity

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

Liquidity risk indicator	Target
Total cash available within 3 months	£20m

Interest Rate Exposures

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

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£75,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£75,000

Maturity Structure of Borrowing

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

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Principal Sums Invested For Periods Longer Than a Year

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

Price risk indicator	**2020/21**	**2021/22**	**2022/23**
Limit on principal invested beyond year end	£30m	£25m	£25m

7 Related Matters

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

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

7.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

7.4 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

7.5 Housing Revenue Account: On 1 April 2012, the Council's predecessor (TDBC) notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.

7.6 Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the S151 Officer believes this to be the most appropriate status.

8 Financial Implications

8.1 The budget for treasury investment income and debt interest in 2020/21 is summarised as follows:

Table 22: Interest Income and Costs Budget Estimates

Price risk indicator	**2020/21 Investment Income £k**	**2020/21 Interest Costs £k**	**2020/21 Net Income or Costs £k**
General Fund	-876	215	-661
Housing Revenue Account	0	2,745	2,745
Total	-876	2,960	2,084

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

9 Other Options Considered

9.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The s151 Officer, having consulted the Portfolio Holder for Corporate Resources, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

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

External Context – Commentary by Arlingclose (December 2019)

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21. The General Election has removed some uncertainty within the market, however following the expected Withdrawal Bill, uncertainties around the future trading relationship with the EU remain.

GDP growth rose by 0.4% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.1% from 1.2%. Services, construction and production added positively to growth, by 0.5%, 1.2% and 0.1% respectively, while agriculture recorded a fall of 0.1%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The headline rate of UK Consumer Price Inflation remained the same in November 2019 at 1.5% year-on-year, the same as October 2019, however continuing to fall from highs of 2.1% in July and April 2019 as accommodation services and transport continued to contribute to a level of inflation below the BOE target of 2%. Labour market data continues to be positive. The ILO unemployment rate continues to hold at historic lows at 3.8%, its lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses rose to 3.5% in November 2019 providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.9% in October 2019 and only likely to have a moderate impact on household spending.

Domestic inflationary pressures have abated, as domestic gas and electricity price freezes have taken effect until 2020. The price of oil has fallen through the year, despite a rise in prices in December 2019. The limited inflationary pressure from real wages will likely keep inflation below the Bank of England target of 2%. The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

The US economy has continued to perform relatively well compared to other developed nations; however, the Federal Reserve has started to unwind its monetary tightening through 2019. The Federal Reserve has cut rates three times to 1.5% - 1.75%, to stimulate growth as GDP growth has started to fall (to 2.1%).

The fallout from the US-China trade war continues which, risks contributing to a slowdown in global economic activity in 2019. Recent suggestions have been an initial compromise and potential unwinding of tariffs; however, this can change quickly. Slow growth in Europe, combined with changes in leadership at the ECB and IMF has led to a change of stance in 2019. Quantitative easing has continued and been extended.

Credit outlook: The recent Bank of England stress tests assessed all seven UK banking groups. The tests scenarios include deep simultaneous recessions in the UK and global economies that are more severe overall than the global financial crisis, combined with large falls in asset prices and a separate stress of misconduct costs. All seven banks passed the test on both a CET1 ratio and a leverage ratio basis. Major Banks have steadily increased their capital for many years now. However, there are a number of shortcomings in the Bank's approach; timeliness as the results are over 11 months of out date when they are published, being based on end-2018 balance sheets; ringfencing, as the tests ignore the restrictions on transferring capital between ringfenced "retail" banks and non-ringfenced "investment" banks within the larger groups and; coverage – the tests should be expanded to cover a wider range of UK banks and building societies.

The Bank of England will seek to address some of these issues in 2020, when Virgin Money/Clydesdale will be added to the testing group and separate tests will be included of ringfenced banks.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

Interest rate forecast: The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

Arlingclose Economic & Interest Rate Forecast November 2019

Underlying assumptions:

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.

- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.

- Brexit has been delayed until 31 January 2020. While the General Election has maintained economic and political uncertainty, the opinion polls suggest the Conservative position in parliament may be strengthened, which reduces the chance of Brexit being further frustrated. A key concern is the limited transitionary period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.

- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.

- While the potential for divergent paths for UK monetary policy remain in the event of the General Election result, the weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.

- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.

- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant on General Election outcomes and the evolution of the global economy.

- Arlingclose judges that the risks are weighted to the downside.

- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.

- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

A summary of the forecast rates is included on the next page. Note:

- PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%

- PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.21**
Arlingclose Central Case	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
3-month money market rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	**0.25**
Arlingclose Central Case	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
1yr money market rate														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	**0.23**
Arlingclose Central Case	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	**-0.60**
5yr gilt yield														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	**0.37**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.55**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.57**
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	**-0.56**
10yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**0.75**	**0.75**	**0.80**	**0.80**	**0.85**	**0.85**	**0.90**	**0.90**	**0.95**	**0.95**	**1.00**	**1.00**	**1.00**	**0.88**
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.45**
20yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**1.20**	**1.20**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.30**	**1.35**	**1.35**	**1.35**	**1.40**	**1.40**	**1.30**
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**
50yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**1.20**	**1.20**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.30**	**1.35**	**1.35**	**1.35**	**1.40**	**1.40**	**1.30**
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**

Minimum Revenue Provision (MRP) Statement

1 Policy Statement

1.1 Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

1.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

1.3 The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

1.4 The predecessor Councils (TDBC and WSC) both adopted an MRP calculation method which spread the total Capital Financing Requirement over the weighted average useful life of each Council's asset base on a straight line basis. The calculation took into consideration the materiality of each asset and its recorded remaining useful life. The weighted average was then applied to the class of asset then applied across the whole fixed asset base. That gave a robust basis to support the asset life applied to MRP calculations and be appropriate for audit scrutiny.

1.5 Following the creation of the Somerset West and Taunton Council on 1 April 2019, it is proposed to apply the same methodology for the opening balance General Fund CFR using the combined weighted average useful life of the consolidated asset base transferred to SWTC on 1 April. This is considered a prudent approach to charging for the legacy CFR transferred to SWTC from its predecessor Councils.

1.6 For capital expenditure incurred since 1 April 2019, the proposed methods for calculating MRP are as follows:

1.7 For Property Plant and Equipment (PPE) assets, MRP will be calculated over the weighted average useful life of each Council's asset base at the start of each financial year on a straight line basis.

1.8 For assets acquired by leases or the Private Finance, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

1.9 For capital grants and contributions to third parties MRP will be calculated on a straight-line basis over 25 years from the 1 April following the year in which the grants or contributions are incurred.

1.10 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from the principal repayments to reduce the capital financing requirement in respect of those loans. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

1.11 For Investment Properties, MRP will be calculated over 50 years, or over the professionally assessed useful life of the asset if lower than 50 years. MRP may be calculated using either annuity or straight-line basis as determined by the s151 Officer.

1.12 For Housing Revenue Account capital expenditure, MRP will be charged on a straight-line over 60 years.

1.13 MRP is charged based on the opening balance CFR carried forward from the previous year. Therefore Capital expenditure incurred during 2020/21 will not be subject to a MRP charge until 2021/22.

2 Capital Financing Requirement and MRP Estimates

2.1 Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2020, the budget estimate for MRP has been set as follows:

Capital Financing Requirement and MRP / VRP	31/03/2020 Estimated CFR £k	2020/21 Estimated MRP / VRP £k
General Fund	53,334	505
Housing Revenue Account	109,972	1,821
Total	**163,306**	**2,326**

3 MRP Overpayments

3.1 Overpayments: In earlier years, the Council has made no voluntary overpayments of MRP that are available to reduce the revenue charges in later years. It is not planned to make an overpayment in 2020/21, however the s151 Officer may determine such an overpayment during the year and report this through the Outturn Report.

MRP Overpayments	£k
Actual balance 1 April 2019	0
Approved overpayment 2019/20	0
Expected balance 31 March 2020	0
Planned overpayment 2020/21	0
Forecast Overpayments Balance 31 March 2021	0

Report Number: SWT 37/20

Somerset West and Taunton Council

Executive – 10 February 2020

Report on changes to off street car parking charges

This matter is the responsibility of Executive Councillor Member Mike Rigby

Report Author: Scott Weetch – Specialists Manager

1. Executive Summary / Purpose of the Report

1.1 To advise on proposals to change car parking fees across Somerset West and Taunton Council area.

2. Recommendations

2.1 It is recommended to raise car parking charges by 10% across the Somerset West and Taunton Council area.

2.2 To use monies raised to support Council policies in respect of congestion relief and traffic management as permitted by relevant legislation

3. Risk Assessment (if appropriate)

3.1

Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails to recover sufficient income to cover the cost of running the Parking service	1	3	3

Risk Scoring Matrix

Likelihood							
	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			Impact				

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4. Background and Full details of the Report

4.1 The Council desires to change driver behaviour as part of its Corporate aim for a low-carbon, clean, green and prosperous district that attracts high quality employment opportunities and encourages healthy lifestyle.
https7://www.somersetwestandtaunton.gov.uk/your-council/corporate-strategy/

4.2 Further, the Council wishes to promote and enhance the use of Taunton Park and Ride facilities provided by Somerset County Council to support its own aims in reducing town centre congestion for Taunton and pollution and supporting overall Air Quality Management across the Council area as set out in the Air Quality Action Plan.

4.3 Charges were last increased across the former Taunton Deane Borough Council area in 2016. Notwithstanding that there was a realignment of fees in Taunton to move to a more readily understood Short and Long Stay parking as part of the Pay on Foot parking project. However, these changes were cost neutral, as outlined and approved by Taunton Deane Full Council in February 2018.

4.4 Charges were last increased in the former West Somerset Council area in 2017.

4.5 The report outlines the intention to raise car parking fees by 10% in all areas, the legal basis for doing so and the intentions of monies raised through this.

4.6 The powers for local authorities to provide and charge for car parking are set out in the Road Traffic Regulation Act 1984 (RTRA). Different provisions are set out in relation to on-street and off-street parking. This report relates to off street parking arrangements.

4.7 Section 32 RTRA http://www.legislation.gov.uk/ukpga/1984/27/section/32 provides the authority for councils to provide off-street parking:
"32. Power of local authorities to provide parking places. (1) Where for the purpose of relieving or preventing congestion of traffic it appears to a local authority to be necessary to provide within their area suitable parking places for vehicles, the local authority, …. (a) may provide off-street parking places …."

4.8 Section 35 provides the authority for councils to charge for use of off-street car parking: "35 Provisions as to use of parking places provided under s 32 or 33. (1) As respects any parking place— (a) provided by a local authority under section 32 of this Act, or (b) provided under any letting or arrangements made by a local authority under section 33(4) of this Act, the local authority, subject to Parts I to III of Schedule 9 to this Act, may by order make provision as to— i) the use of the parking place, and in particular the vehicles or class of vehicles which may be entitled to use it, ii) the conditions on which it may be used, iii) the charges to be paid in connection with its use (where it is an off-street one)…"

4.9 Section 41 outlines that a local authority may contribute towards the expenses incurred by any other authority in the exercise of their powers including the provision of off street parking places.

4.10 Section 122 places a duty on every local authority to secure the expeditious, convenient and safe movement of vehicular and other traffic (including pedestrians) and the provision of suitable and adequate parking facilities on and off the highway. In particular that means securing and maintaining reasonable access to premises;
the effect on the amenities of any locality affected and (without prejudice to the generality of this paragraph) the importance of regulating and restricting the use of roads by heavy commercial vehicles, so as to preserve or improve the amenities of the areas through which the roads run; the strategy prepared under section 80 of the Environment Act 1995 (national air quality strategy); the importance of facilitating the passage of public service vehicles and of securing the safety and convenience of persons using or desiring to use such vehicles; and any other matters appearing to the local authority to be relevant.

4.11 Decisions on setting fees must be reasonable and proportionate and have a view to the reasons for the parking powers in the first place (i.e. the minimising of congestion in town centres). The Council is awarded powers to create off-street parking places – and then to charge for them – where it appears necessary to them for the purposes of relieving or preventing traffic congestion.

4.12 A schedule of proposed fees is included at Appendix A.

5. Links to Corporate Strategy

5.1 This links to the priority theme of environment and economy. Specifically, it links to the desire for a low-carbon, clean, green and prosperous district that attracts high quality employment opportunities and encourages healthy lifestyle.

6. Finance / Resource Implications

6.1 The measures outlined in the report indicate a 10% increase in fees across all car parks. It is likely that this will lead to increased revenue by way of income if the changes to driver behaviour do not occur in the short term. The Council has outlined that it intends to use any increase in revenue to finance the Park and Ride scheme and to support other environmental measures designed to improve air quality management and reduce congestion.

6.2 Costs are predicted to increase at a rate of 2.5% per year. Consumer Price Index for the year to September 2017 was 3%; to September 2018 was 2.4% and September 2019 was 1.7%.

6.3 Charges were last increased across the old Taunton Deane Borough Council area in 2016. Notwithstanding that there was a realignment of fees in Taunton to move to a more readily understood Short and Long Stay parking as part of the Pay on Foot parking project. However, these changes were cost neutral, as outlined and approved by Taunton Deane Full Council in February 2018.

6.4 Charges were last raised in the West Somerset Council in 2017.

7. Legal Implications (if any)

7.1 Legal powers relating to the setting of Parking Places and fees are outlined in the Road Traffic Regulation Act (!984) (as amended) http://www.legislation.gov.uk/ukpga/1984/27/contents

7.2 Decisions on setting fees must be reasonable and proportionate and have a view to the reasons for the parking powers in the first place (i.e. the minimising of congestion in town centres). The Council is awarded powers to create off-street parking places – and then to charge for them – where it appears necessary to them for the purposes of relieving or preventing traffic congestion.

8. Climate and Sustainability Implications (if any)

8.1 This measure is designed to have a direct impact on the climate. The aspiration is to change driver behaviour and support initiatives that affect air quality and traffic management.

9. Safeguarding and/or Community Safety Implications (if any)

9.1 There are no direct implications arising from this report.

10. Equality and Diversity Implications (if any)

10.1 There are no implications for the main characteristics outlined by the Equalities Act

10.2 Locally, rurality, low income and economic and social disadvantage are all considered when developing policy. It should be recognised that adoption of this schedule of fees has the potential to adversely affect some in these groups.

11. Social Value Implications (if any)

11.1 There are no social value implications associated with this report.

12. Partnership Implications (if any)

12.1 Somerset County Council provision of Park and Ride and other Highways activity are affected by these measures but they are positively affected.

13. Health and Wellbeing Implications (if any)

13.1 These measures will enable people to give due regard to their own health and wellbeing, in particular in relation to unnecessary car journeys and the possibility of using alternative transport for some trips. This may include greater ability to travel on foot or bicycle.

14. Asset Management Implications (if any)

14.1 None

15. Data Protection Implications (if any)

15.1 None

16. Consultation Implications (if any)

16.1 None

17. Scrutiny Comments / Recommendation(s) (if any)

17.1 To be included in future reports to Executive and Full Council following this meeting.

Democratic Path:

- **Scrutiny / Corporate Governance or Audit Committees – Yes**
- **Cabinet/Executive – Yes**
- **Full Council – Yes**

Reporting Frequency: **x Once only** ☐ **Ad-hoc** ☐ **Quarterly**
☐ **Twice-yearly** ☐ **Annually**

List of Appendices (delete if not applicable)

Appendix A	Schedule of fees

Contact Officers

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SOMERSET WEST AND TAUNTON OFF-STREET PARKING CHARGES 2020/21

			2020/21			2019/20			
		10% Increase	Charge Incl VAT (rounded)	VAT Rate	Charge Excl VAT	Charge Incl VAT	VAT Rate	Charge Excl VAT	% Increase
Short Stay (TDBC area)									
Coal Orchard, Crescent, Ash Meadows, Duke Elms Parade, Whirligig, Fons George	1 Hour	1.32	1.30	S	1.08	1.20	S	1.00	8.33%
	2 Hours	2.64	2.60	S	2.17	2.40	S	2.00	8.33%
	3 Hours	3.96	4.00	S	3.33	3.60	S	3.00	11.11%
Long Stay (TDBC area)									
Cannon Street, High Street, Orchard, Belvedere, Castle Street, Wood street, Enfield, Firepool, Kilkenny, Tangier, Victoria Gate	1 hour	1.21	1.20	S	1.00	1.10	S	0.92	9.09%
	2 hours	2.42	2.40	S	2.00	2.20	S	1.83	9.09%
	3 hours	3.63	3.60	S	3.00	3.30	S	2.75	9.09%
	4 hours	4.84	4.80	S	4.00	4.40	S	3.67	9.09%
	5 hours	6.05	6.00	S	5.00	5.50	S	4.58	9.09%
	6 hours	7.26	7.30	S	6.08	6.60	S	5.50	10.61%
	7 hours	7.70	7.70	S	6.42	7.00	S	5.83	10.00%
	Over 7 hours	8.25	8.20	S	6.83	7.50	S	6.25	9.33%
TDBC Coach Park									
Tangier Coach Park	All day	6.60	6.60	S	5.50	6.00	S	5.00	10.00%
Wellington									
South Street	1 hour	0.77	0.80	S	0.67	0.70	S	0.58	14.29%
	2 hours	1.10	1.10	S	0.92	1.00	S	0.83	10.00%
	3 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	4 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	All day	2.75	2.70	S	2.25	2.50	S	2.08	8.00%
Longforth Road, North Street	2 hours	1.10	1.10	S	0.92	1.00	S	0.83	10.00%
	3 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	4 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	All day	2.75	2.70	S	2.25	2.50	S	2.08	8.00%
Minehead-Winter Tariff									
Quay West & Warren Road Upper	1 hour	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	2 hours	2.86	2.90	S	2.42	2.60	S	2.17	11.54%
	4 hours	4.62	4.60	S	3.83	4.20	S	3.50	9.52%
	All day	6.27	6.30	S	5.25	5.70	S	4.75	10.53%
Clanville	2 hours	1.76	1.80	S	1.50	1.60	S	1.33	12.50%
	All day	4.62	4.60	S	3.83	4.20	S	3.50	9.52%
Alexandra Road	1 hour	0.88	0.90	S	0.75	0.80	S	0.67	12.50%
	2 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	4 hours	2.75	2.70	S	2.25	2.50	S	2.08	8.00%
	All day	5.17	5.20	S	4.33	4.70	S	3.92	10.64%
Summerland	2 hours	1.10	1.10	S	0.92	1.00	S	0.83	10.00%
North Road	1 hour	1.54	1.50	S	1.25	1.40	S	1.17	7.14%
	2 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	4 hours	3.08	3.10	S	2.58	2.80	S	2.33	10.71%
	All day	5.17	5.20	S	4.33	4.70	S	3.92	10.64%
Porlock Winter Tariff									
Porlock Central	1 hour	0.88	0.90	S	0.75	0.80	S	0.67	12.50%
	2 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	4 hours	2.75	2.70	S	2.25	2.50	S	2.08	8.00%
	All day	5.17	5.20	S	4.33	4.70	S	3.92	10.64%
Doverhay	1 hour	0.88	0.90	S	0.75	0.80	S	0.67	12.50%
	2 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
Dunster Winter Tariff									
Dunster Steep	2 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	4 hours	2.75	2.70	S	2.25	2.50	S	2.08	8.00%
	All day	5.17	5.20	S	4.33	4.70	S	3.92	10.64%
Williton Winter Tariff									
Williton Central	1hour	0.88	0.90	S	0.75	0.80	S	0.67	12.50%
	2 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	4 hours	2.75	2.70	S	2.25	2.50	S	2.08	8.00%
	All day	5.17	5.20	S	4.33	4.70	S	3.92	10.64%
Watchet Winter Tariff									
Anchor Street, Market Street, Swain Street, Harbour Road, West Pier	1 hour	0.88	0.90	S	0.75	0.80	S	0.67	12.50%
	2 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	4 hours	2.75	2.70	S	2.25	2.50	S	2.08	8.00%
	All day	5.17	5.20	S	4.33	4.70	S	3.92	10.64%
Dulverton Winter & Summer Tariff									
Lion Stables	1 hour	0.77	0.80	S	0.67	0.70	S	0.58	14.29%
	2 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	3 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	All day	4.95	5.00	S	4.17	4.50	S	3.75	11.11%
Guildhall Winter & Summer Tariff									
	1 hour	0.77	0.80	S	0.67	0.70	S	0.58	14.29%
	2 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	3 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	All day	4.95	5.00	S	4.17	4.50	S	3.75	11.11%

SOMERSET WEST AND TAUNTON OFF-STREET PARKING CHARGES 2020/21

		10% Increase	2020/21 Charge Incl VAT (rounded)	2020/21 VAT Rate	2020/21 Charge Excl VAT	2019/20 Charge Incl VAT	2019/20 VAT Rate	2019/20 Charge Excl VAT	% Increase
Exmoor House Winter & Summer Tariff									
	1 hour	0.77	0.80	S	0.67	0.70	S	0.58	14.29%
	2 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	3 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	All day	4.95	5.00	S	4.17	4.50	S	3.75	11.11%
Minehead Summer Tariff									
Quay West, Warren Road Upper	1 hour	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	2 hours	3.30	3.30	S	2.75	3.00	S	2.50	10.00%
	4 hours	4.95	5.00	S	4.17	4.50	S	3.75	11.11%
	All day	6.60	6.60	S	5.50	6.00	S	5.00	10.00%
Clanville	2 hours	2.75	2.70	S	2.25	2.50	S	2.08	8.00%
	All day	5.50	5.50	S	4.58	5.00	S	4.17	10.00%
Alexandra Road	1 hour	1.10	1.10	S	0.92	1.00	S	0.83	10.00%
	2 hours	2.75	2.70	S	2.25	2.50	S	2.08	8.00%
	4 hours	3.30	3.30	S	2.75	3.00	S	2.50	10.00%
	All day	5.50	5.50	S	4.58	5.00	S	4.17	10.00%
Summerland	2 hours	1.10	1.10	S	0.92	1.00	S	0.83	10.00%
North Road	1 hour	1.10	1.10	S	0.92	1.00	S	0.83	10.00%
	2 hours	2.75	2.70	S	2.25	2.50	S	2.08	8.00%
	4 hours	3.30	3.30	S	2.75	3.00	S	2.50	10.00%
	All day	5.50	5.50	S	4.58	5.00	S	4.17	10.00%
Porlock Summer Tariff									
Porlock Central	1 hour	1.10	1.10	S	0.92	1.00	S	0.83	10.00%
	2 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	4 hours	3.30	3.30	S	2.75	3.00	S	2.50	10.00%
	All day	5.50	5.50	S	4.58	5.00	S	4.17	10.00%
Doverhay	1 hour	1.10	1.10	S	0.92	1.00	S	0.83	10.00%
	2 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
Dunster Summer Tariff									
Dunster Steep	2 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	4 hours	3.30	3.30	S	2.75	3.00	S	2.50	10.00%
	All day	5.50	5.50	S	4.58	5.00	S	4.17	10.00%
Park Street	1 hour	1.10	1.10	S	0.92	1.00	S	0.83	10.00%
	2 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	4 hours	3.30	3.30	S	2.75	3.00	S	2.50	10.00%
	All day	5.50	5.50	S	4.58	5.00	S	4.17	10.00%
Williton Summer Tariff									
Central	1 hour	1.10	1.10	S	0.92	1.00	S	0.83	10.00%
	2 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	4 hours	3.30	3.30	S	2.75	3.00	S	2.50	10.00%
	All day	5.50	5.50	S	4.58	5.00	S	4.17	10.00%
Watchet Summer Tariff									
Anchor Street, Market Street, Swain Street, Harbour Road, West Pier	1 hour	1.10	1.10	S	0.92	1.00	S	0.83	10.00%
	2 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	4 hours	3.30	3.30	S	2.75	3.00	S	2.50	10.00%
	All day	5.50	5.50	S	4.58	5.00	S	4.17	10.00%
Dulverton Summer Tariff									
Lion Stables, Guildhall, Exmoor House	1 hour	0.77	0.80	S	0.67	0.70	S	0.58	14.29%
	2 hours	1.65	1.60	S	1.33	1.50	S	1.25	6.67%
	3 hours	2.20	2.20	S	1.83	2.00	S	1.67	10.00%
	All day	4.95	5.00	S	4.17	4.50	S	3.75	11.11%
Permits									
Long Stay permit TDBC area	6 months	847.00	845.00	S	704.17	770.00	S	641.67	9.74%
Commuter permit TDBC area	6 months	726.00	725.00	S	604.17	660.00	S	550.00	9.85%
Wellington permit TDBC area	6 months	330.00	330.00	S	275.00	300.00	S	250.00	10.00%
Shopper Permit WSC area	Annual	44.00	45.00	S	37.50	40.00	S	33.33	12.50%
Named car park permits WSC area	6 months	165.00	165.00	S	137.50	150.00	S	125.00	10.00%
	Annual	214.50	215.00	S	179.17	195.00	S	162.50	10.26%
Business permits WSC area	6 months	231.00	230.00	S	191.67	210.00	S	175.00	9.52%
	Annual	423.50	425.00	S	354.17	385.00	S	320.83	10.39%
District permits WSC area	Before 10.00am (annual)	27.50	27.00	S	22.50	25.00	S	20.83	8.00%
	Weekly	27.50	27.00	S	22.50	25.00	S	20.83	8.00%
	Six monthly	187.00	185.00	S	154.17	170.00	S	141.67	8.82%
	Annual	330.00	330.00	S	275.00	300.00	S	250.00	10.00%
Parson Street WSC area	Annual	165.00	165.00	S	137.50	150.00	S	125.00	10.00%

Report Number: SWT 38/20

Somerset West and Taunton Council

Executive – 10 February 2020

Somerset Homelessness and Rough Sleeper Strategy 2019 - 2023

This matter is the responsibility of Executive Councillor Member Fran Smith

Report Authors:
Mark Leeman (Strategy Specialist) & Hannah Cook (Customer Specialist – Housing Options)

1 Executive Summary / Purpose of the Report

1.1 District Councils have a statutory duty to adopt a Homelessness and Rough Sleeper Strategy. This strategy sets out the strategic goals for the four Somerset Housing Authorities including a detailed action plan to show how the strategy will be delivered. Our existing Somerset Homeless Strategy was adopted in May 2018; this was an interim strategy which only ran until December 2019 so we now need to update the strategy taking into consideration the priorities identified in the Homelessness and Rough Sleeper Needs Assessment 2019, together with the new requirements of the Homelessness Reduction Act 2019.

2 Recommendations

2.1 That the Executive recommends to Full Council the adoption of the proposed Somerset Homelessness and Rough Sleeper Strategy (2019-2023)

2.2 That Executive provides any comment in relation to the supporting action plan for consideration by Homelessness Managers Group (the action plan to be reviewed and updated on a regular basis)

3 Risk Assessment

3.1 The development of the draft SH&RSS has highlighted a number of key risks, as described below:

Description	Likelihood	Impact	Overall
Impact of HRA on staffing levels and associated risks to service delivery – Additional pressures on staff, delay in appointments to deal with homelessness applications which make it difficult to keep up	4	4	16

with casework, and associated impact on quality of advice. Housing options staff are much sought after – risk of losing staff to other authorities			
Mitigation: Ensure processes are regularly reviewed to ensure work load is managed and staff are supported to deliver a good quality service. Provide staff training where needed to help staff be successful in their role	2	3	6
Action Plan is too aspirational – there is a lack of resources to accomplish all that is needed to support vulnerable individuals and families	4	4	16
Mitigation: Resources across the housing, health and care systems are stretched. The Action Plan will require on going partner engagement to define priorities and to coordinate resources (this to include external resources e.g. grant applications). The action plan will be reviewed and updated on a regular basis	2	2	4
Escalating B&B provision / costs – attributable to an increase in the number of homeless applicants that are assisted under the HRA, and stretched capacity within Temporary Accommodation	4	4	16
Mitigation: Continue to use and develop homelessness prevention measures to avoid the need for B&B. Seek to expand capacity within TA	3	3	9
Increase of ASB and crime on the streets - due to the inability to reduce / prevent homelessness and rough sleeping	3	4	12
Mitigation: We have achieved success in this area recently, with the funding secured to develop the Rough Sleeper Initiative (Taunton). The adoption of this strategy will help support future funding bids to maintain such essential support networks	2	3	6
Government funding: Loss of Govt funding if we fail to meet targets	3	3	9
Mitigation: Ensure the correct processes are in place (including the management and monitoring of both Homefinder and the action plan attached to this strategy) to ensure we can evidence the requirements needed to access funding	1	2	3
Reputation – failure to have a strategy and clear processes on how we deal with homelessness	4	5	20

and rough sleeping. Homeless decisions on applications would be invalid			
Mitigation: Adopt the homelessness strategy and supporting action plan, and review in four years	2	2	4

4 Background and Full details of the Report

4.1 The 2002 Homelessness Act places a duty on Local Authorities to develop a homelessness and rough sleeper strategy and an obligation to renew it every five years. The Homelessness Reduction Act 2017, introduced new measures for dealing with homelessness including:

- Increasing the length of time a housing authority should treat someone as threatened with Homelessness from 28 to 56 days
- The introduction of Personalised Housing Plans for clients to outline the circumstances of homelessness, the housing needs of the client, any support required to secure and sustain accommodation, steps that the client is required to take along with the steps the Local Authority is required to take to assist the client
- a new duty to prevent homelessness for all eligible households threatened with homelessness
- a new duty to relieve homelessness for all eligible homeless applicants
- a new duty on public services to notify a local authority if they come into contact with someone they think may be homeless or at risk of becoming homeless

4.2 The current interim strategy was developed by the four District Councils in Somerset and was adopted in 2018. Since the adoption of the Interim Strategy we have collectively conducted a Homelessness and Rough Sleeper Needs Assessment which has been used as the evidence base for the 'Homelessness and Rough Sleeper Strategy 2019 – 2023' as well as considering the new requirements of the Homelessness Reduction Act 2017.

4.3 A Homelessness and Rough Sleeper Needs Assessment 2019 (Appendix 1) was carried out to assess the need within the county. This has been used to inform the new Somerset Homelessness and Rough Sleeper Strategy 2019-23 and supporting Action Plan (Appendix 2). The strategy includes 6 priorities for 2019-23:

- Provision of adequate, affordable accommodation
- The provision and effective use of temporary accommodation
- Support the Government's commitment to combat rough sleeping
- Support prevention and early intervention
- Enable specific client groups to access suitable accommodation

- Maintain strong working relationships across partnerships

4.4 The SH&RSS will be implemented by each district through the Homelessness Managers Group (HMG) who will be responsible for the day to day delivery of this strategy and actions contained within the supporting action plan; including monitoring progress against actions and targets at the monthly HMG meetings. There will also be a link with the Somerset Strategic Housing officers Group (SSHG) who are responsible for the delivery plan for the Somerset Housing Strategy 2019-2023, so close links will be maintained between both groups to ensure we keep track of progress on actions overall.

5 Links to Corporate Strategy

5.1 These proposals relate directly to the Housing and Communities priority, and will help enable the delivery of a number of the supporting objectives:

3.0 Homes and Communities A district which offers a choice of good quality homes for our residents, whatever their age and income, in communities where support is available for those who need it	
3.1	Increase the number of affordable and social homes in our urban towns, rural and coastal communities; including those built by the Council.
3.3	Reduce anti-social behaviour through working with residents and our partners as well as tackle economic, social and health inequalities within the groups and communities that need extra support.
3.4	Work to end homelessness and rough sleeping in the District.
3.5	Engage with the voluntary sector in their mission to help support our communities

6 Finance / Resource Implications

6.1 There are no specific resources requested as part of agreeing the Homelessness and Rough Sleeper Strategy 2019-23, however there may be financial implications linked to the achievement of the action plan which will either be covered within existing budgets or come forward for funding as appropriate.

6.2 Risk: Housing Options (the delivery end of the homelessness and rough sleeper service) operate within a complex environment that is reliant on support services, private sector landlords, the voluntary and community sector etc. The action plan that supports the SH&RSS is critical in this context. Failure to support clients in their existing accommodation or to access suitable and affordable accommodation causes B&B costs to escalate.

6.3 Risk: There could also be the potential costs of legal challenges should internal protocols fail due to the set of review rights imposed by the Homelessness Reduction Act. There are financial implications if the Council is legally challenged due to its decisions and there could be costs associated with any ombudsman enquiries as a result of procedural failures within the department.

7 Legal Implications

7.1 It is a legal requirement in accordance to the Homelessness Act 2002 that Housing Authorities have in place a Homelessness Strategy based on a Homelessness Review (e.g. Appendix 1) within their district. This exercise should be carried out and the strategic documents reviewed at least every five years.

7.2 The current strategy has an end-date of December 2019. So we are currently working from an out of date strategy. Homelessness decisions can be challenged on the basis of an out of date strategy. However, this is rare. Also, the four districts have made good progress towards the adoption of the revised strategy, which will be material evidence in any challenge.

7.3 As per 6.3, there could also be the potential costs of legal challenges should internal protocols fail.

8 Climate and Sustainability Implications

8.1 This strategy has no direct impact (positive or negative) on climate change / carbon emissions. Indirectly, there are implications for other service areas e.g. housing enabling and the provision of new build accommodation. There is a separate workstream looking at sustainable construction/energy efficiency of new build dwellings.

8.2 Adverse weather conditions (excessive heat or cold or precipitation) can have a significant and traumatic effect on vulnerable groups such as rough sleepers, enhancing vulnerability (and indeed a threat to life) and placing extra stress on services

8.3 The most extreme example of this was the flooding of the Somerset Levels in December 2013. Somerset, along with other areas in the country, experienced unusually heavy rainfall resulting in extensive flooding. Around 165 properties on the Somerset levels and moors were flooded to an average depth of 0.7m. Evacuation of homes began in early January 2014 and a major emergency was declared, with significant and extensive impact on council resources, including housing options who were on the front line of the response.

9 Safeguarding and/or Community Safety Implications

9.1 The proposals will have a positive impact on safeguarding and community safety

- The strategy proposes enhanced / coordinated partnership activity around vulnerable people, along with more training for staff

- The strategy supports enhanced / coordinated partnership activity in relation to rough sleepers. The Taunton Rough Sleeper Initiative has had a significant impact in both supporting this vulnerable group of people, as well as improving community safety within the town centre. The strategy and action plan supports the continuation of this work and will form the basis of further resourcing bids to Government and other fund holders.

10 Equality and Diversity Implications

10.1 A comprehensive EIA is attached at Appendix 3. The EIA has directly influenced the development of priorities and activities within the SH&RSS.

11 Social Value Implications (if any)

11.1 There are no direct Social Value implications. However, indirectly, we (districts and other partners such as the County Council) do commission services to support homeless and rough sleeping e.g. Pathways to Independence, Step Together etc.

11.2 Social Value considerations are built in to such strategic procurement activity

11.3 Locally, SWT is to reconsider its Social Value policy and objectives. A report will be presented to Members during Spring 2020. This, alongside a strategic review of our support to the voluntary sector, will naturally inform future commissioning intentions with the objective of delivering enhanced levels of Social Value.

12 Partnership Implications

12.1 The response to homelessness and rough sleeping is embedded in strategic and local partnership activity, as noted throughout the strategy and supporting action plan

13 Health and Wellbeing Implications

13.1 Vulnerable individuals and families can often present with a range of physical and/or mental health problems. Vulnerable people are more likely to be at risk of homelessness. Rough Sleepers often have significant physical and mental health problems, often compounded by addictive behaviours. The life expectancy of rough sleepers is mid-40s. Female rough sleepers are some of the most vulnerable people within our society.

13.2 The Homelessness and Rough Sleeper Strategy embraces and promotes a partnership response that includes key agencies such as Public Health, the Clinical Commissioning Group, Somerset Hospitals and social care (children and adults). Health and care partners are the commissioners for many of the homelessness support services such as P2I, Positive Lives and Step Together.

14 Asset Management Implications

14.1 None

15 Data Protection Implications

15.1 No direct implications.

16 Consultation Implications

16.1 Consultation and engagement has informed the development of the strategy and action plan. Please refer to section 4 of the Needs Assessment (Appendix 1). Consultation and engagement with partners will continue to inform the development of the action plan. This will be reviewed and monitored on a regular basis by the Homelessness Managers Group (HMG).

17 Scrutiny Committee Consideration

17.1 The proposed SH&RSS will be considered by Scrutiny Committee on 5th February 2020. Scrutiny Committee are being asked to scrutinise the content of the SH&RSS, to provide their ‘in principle’ support, and to forward any comments for Executive consideration.

17.2 Comments from Scrutiny Committee will be circulated in advance and reported verbally at the meeting of the Executive.

Democratic Path:

- **Scrutiny / Corporate Governance or Audit Committees – Yes**
- **Cabinet/Executive – Yes**
- **Full Council – Yes**

Reporting Frequency: ☐ **Once only** ☐ **Ad-hoc** ☐ **Quarterly**

☐ **Twice-yearly** ☐ **Annually**

List of Appendices (delete if not applicable)

Appendix 1	Somerset Homelessness and Rough Sleeper Needs Assessment 2019
Appendix 2	Somerset Homelessness & Rough Sleeper Strategy 2019-2023
Appendix 3	Equalities Impact Assessment

Contact Officers

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Appendix 1

Somerset Homelessness and Rough Sleeper Needs Assessment 2019

Contents

Introduction

This document outlines the extent of homelessness and rough sleeping across Somerset at the level of a district authority. It takes into account the characteristics of those who find themselves homeless and the reasons for their homelessness. This assessment of need can be evaluated against existing provision and can assist in identifying gaps. Throughout this document, we will clarify the differences that arise within the county and understand these differences to assist in the development and delivery of plans that meet local need.

This information will inform the development of a new Homelessness and Rough Sleeper Strategy for Somerset, accompanied by an action to overcome the issues and gaps identified in the needs assessment.

The Somerset Districts

There are currently 4 districts in Somerset. In April 2019, Taunton Deane Borough Council and West Somerset Council, combined to form Somerset West and Taunton Council.

NB: For the purposes of this document some information from these councils will be considered separately if this is how the evidence is presented, based on the date the data/information is available at.

The districts and their boundaries are as follows:

Population

The ONS release mid-year population data for the prior year in September/October every year. The population for each districts in 2018 is as follows:

Table One: District size and population

District	Population
Mendip	114,900
Sedgemoor	122,800
South Somerset	167,900
Taunton Deane	119,000
West Somerset	34,900
Total	559,500

Source: ONS Mid-year population estimates 2018

Geographically South Somerset is the largest of the districts as well as the highest population. West Somerset is the most rural district as it encompasses parts of Exmoor and the Quantocks, both of which have low population density.

Population projections give a good overview of expectations over future population size. The ONS released new population estimates projected to the year 2041 in May 2018. The projections are based in the 2016 mid-year estimates.

Table Two: Population projections by district, 2016 to 2041

	2016	2021	2026	2031	2036	2041	% change 16-41
Mendip	113,100	116,600	120,300	123,300	126,000	128,200	+12%
Sedgemoor	121,300	127,000	132,200	136,600	140,400	143,700	+16%
South Somerset	166,500	170,300	174,000	176,900	179,300	181,500	+8%
Taunton Deane	116,000	120,800	125,300	129,100	132,300	135,200	+14%
West Somerset	34,500	34,600	34,900	35,400	35,800	36,200	+5%

Source: ONS population projections

Between 2016 and 2041, Sedgemoor and Taunton Deane are projected to experience the highest growths in percentage terms, 16% and 14% respectively.

The population projections will impact in the need for additional affordable housing.

Age range of the population in Somerset

The table below shows the number of people in each age bracket for the 4 district councils

Table 3 – Population by age

Age range	Mendip	Sedgemoor	South Somerset	Somerset West and Taunton	Total
Under 15	19,300	20,500	28,000	24,700	92,500
15 to 24	11,900	12,400	16,300	14,700	55,300
25 to 44	24,000	26,000	35,500	32,300	117,800
45 to 59	26,200	26,700	35,000	32,400	120,300
60 to 64	7,500	7,900	10,700	10,300	36,400
65 to 74	14,600	15,900	23,000	20,800	74,300
75+	11,600	13,300	19,100	18,700	62,700

Source: ONS Mid-Year population estimates 2018

Data relating to age can be helpful in explaining the differences that are seen in requests for specific types of accommodation, for example bungalows or assisted living accommodation. Across the County the 2 biggest age ranges are 25 to 44 and 45 to 59. Both South Somerset and Somerset West and Taunton show high numbers of people in the 75+ age group.

Employment in Somerset

Overall about 82.3% of Somerset's residents aged 16-64 are economically active, compared to 78.9% in Great Britain.

Table 4: Labour Market profile

	Economically active – in employment Jul 18 to June 19	Economically inactive Jul 18 to June 19	Out of work benefits claimant count - October 2019
Mendip	59,500	9,800	1605
Sedgemoor	63,300	13,000	1970
South Somerset	81,700	16,400	1870
Somerset West and Taunton	73,800	17,000	1900

Source: NOMIS Labour market profile July 2018 to June 2019

Table 5 - Annual Gross Pay – median 2018/2019

District	Median 2018	Monthly average	Media 2019 (provisional)	Monthly average (provisional)
Mendip	£30,517	£2543.08	£29,201	£2433.41

Sedgemoor	£26,981	£2248.42	£27,468	£2289
South Somerset	£27,406	£2283.83	£29,213	£2434.42
Somerset West and Taunton	£25,832	£2152.67	£29,648	£2470.67

Source: ONS – people in work dataset – table 8

Universal Credit

Universal Credit is the new single benefit payment that was introduced in 2013. It replaced income-based Job Seekers Allowance, income-related Employment and Support Allowance, Income Support, Child Tax Credits, Working Tax Credits and Housing Benefit. Whilst the introduction of a single benefit was significant, the other change was the introduction of claiming Universal Credit online and maintaining that claim online.

The initial phases of introduction saw new claims for benefit being made as Universal Credit in specific areas. This has since been rolled out across the country, with Somerset going to full service in 2017/2018. The transfer of current benefit claimants on the legacy benefits to Universal Credit has started and will continue over the next few years.

There has no doubt been teething troubles which such a large change and whilst there were concerns about rent arrears, debt and people managing their finances, reports from the Registered Providers within the area in 2019, have shown that a lot of these initial problems have been ironed out, and arrears remain at a level prior to the introduction.

Universal Credit statistics are based on statistics issued by local Job centres. Within Somerset there 6 job centres. However, Wells and Frome will probably cover areas outside of Somerset, the statistics below give a good understanding of the number of households claiming Universal Credit.

Table 6: Number of UC claims by job centre

Job Centre	Numbers claiming UC as at October 2019
Taunton	7396

Minehead	1498
Bridgwater	6538
Wells	3331
Yeovil	6625
Frome	2210

Source: UC Statistics October 2019

Housing Market, demand and supply

The Somerset Strategic Housing Market Assessment 2016 (SHMA) , states ' A household is considered to be able to afford to buy a home if it costs less than four times the gross household income. It is assumed that a household would have a 10% deposit'.

Table 7 below, shows the ratio of lower quartile house prices to lower quartile gross annual (where available) residence-based earnings (residence-based earnings refer to the median or lower quartile earnings based on the area in which an individual lives, whereas workplace-based earnings refer to earnings based on the area in which the individual works) by local authority district since 2013.

The lower quartile is the value determined by putting all the house prices or earnings for a given area and year, in order of value, and then selecting the value of the house prices or earnings that fall three-quarters of the way down the list, such that 75% lie above and 25% lie below that value. These ratios are particularly useful for assessing housing affordability to indicate the entry level for first time buyers. Affordability ratios are calculated by dividing house prices by gross annual residence-based earnings (Source ONS)

Table 7 – House price to residence-based earnings ratio

	2013	2014	2015	2016	2017
Mendip	8.37	8.73	8.77	8.75	10.23

Sedgemoor	6.87	6.98	7.64	7.74	8.04
South Somerset	7.16	7.33	8.19	7.89	7.61
Taunton Deane	7.83	7.94	8.06	8.04	7.97
West Somerset	9.17	10.09	9.02	10.09	10.25
South West	7.78	8.03	8.27	8.50	8.75
England	6.57	6.91	7.11	7.16	7.26

The data in table 7 highlights that households would require more than 7.6 times their earnings to afford a home in Somerset, although there is a wide disparity in affordability across the Somerset districts. The highest ratio is in Mendip and West Somerset where in 2017 a household would have required more than 10 times their earnings to afford a home. Sedgemoor has also seen a sharp ratio increase.

This affordability is hindered further by the national employment shift to zero hour contracts rather than traditional employment contracts. This change can prove a barrier to accessing rented accommodation and in meeting any affordability tests of income and expenditure, thus obstructing the ability to become an owner-occupier. Mortgage lenders can be reluctant to lend against uncertain income stream. ONS figures show that in 2017, 16% of the UK workforce, aged 16 and over, were a zero hour's contract and in 2018, this rose to 16.4%.

The graph below shows how the lower quartile income in the area compared to the lower quartile house price over time since 2013. Taunton Deane is the only district to have maintained its ratio; in all other districts, the situation has been worsening, with house prices in the lower quartile typically being at best close to eight times earnings in the lowest quartile. This starkly illustrates the difficulty of housing affordability across Somerset when considered against the accepted standard for affordability (four times earnings)

Chart One: House prices to earnings

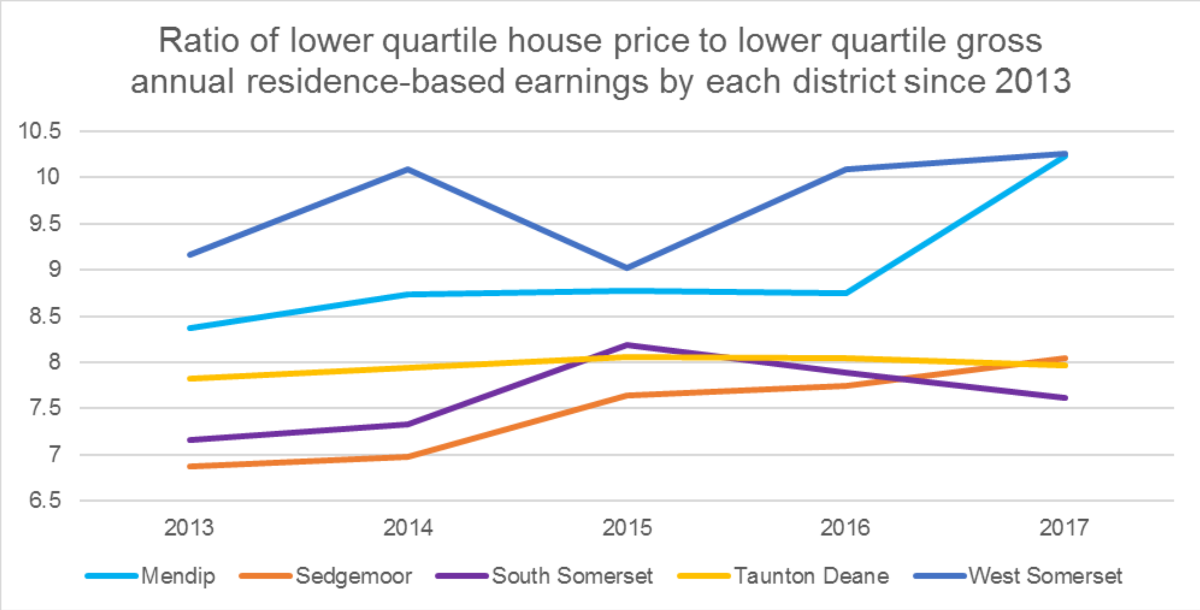


Table 8: Depicts the mean price paid for homes by local authority area

District	House Type	March 2015	March 2016	March 2017	March 2018	% difference in last 12 months
Mendip	Detached	370,165	359,6222	419,599	419,056	-0.13%
	Semi Detached	211,331	221,067	244,488	260,846	6.69%
	Terraced	200,878	204,863	229,472	236,333	2.99%
	Flats/ Maisonettes	132,419	129,404	142,117	141,464	-0.46%
Sedgemoor	Detached	290,487	295,959	321,511	342,483	6.52%
	Semi Detached	177,000	194,351	204,238	215,171	5.35%
	Terraced	148,281	151,945	166,763	169,213	1.47%
	Flats/ Maisonettes	101,548	107,430	119,328	125,382	5.07%
South Somerset	Detached	310,574	324,102	345,141	367,622	6.51%
	Semi Detached	199,106	198,188	210,990	215,951	2.35%
	Terraced	165,312	171,053	183,227	186,697	1.89%
	Flats/ Maisonettes	108,275	109,226	110,009	118,113	7.37%
Taunton Deane	Detached	312,756	322,739	348,318	355,424	2.04%
	Semi Detached	200,648	209,542	213,849	232,881	8.90%
	Terraced	171,784	175,888	184,398	190,153	3.12%

District	House Type	March 2015	March 2016	March 2017	March 2018	% difference in last 12 months
	Flats/ Maisonettes	159,275	139,241	143,009	143,912	0.63%
West Somerset	Detached	318,137	315,281	336,123	361,327	7.50%
	Semi Detached	209,765	218,966	222,072	236,534	6.51%
	Terraced	172,906	182,168	177,088	195,998	10.68%
	Flats/ Maisonettes	159,970	128,097	133,442	130,037	-2.55%

Source: ONS

The evidence shown in the table demonstrates how the mean house price has changed over the last 4 years, moving house purchase further beyond the reach of many residents.

Table 9 – Private rental market statistics - 1st April 2018 to 31st March 2019 for the districts in the South West

	Mendip £	Sedgemoor £	South Somerset £	Taunton Deane £	West Somerset £	South West £	England £
Room	357	412	368	433	-	413	411
Studio	400	400	375	375	410	500	668
One bed	495	460	450	485	495	584	731
Two bed	635	600	625	625	600	726	800
Three bed	800	750	750	768	700	883	916
Four or more beds	1200	995	1100	1100	965	1509	1611

Source: VOA Admin dataset as at 31/3/2019

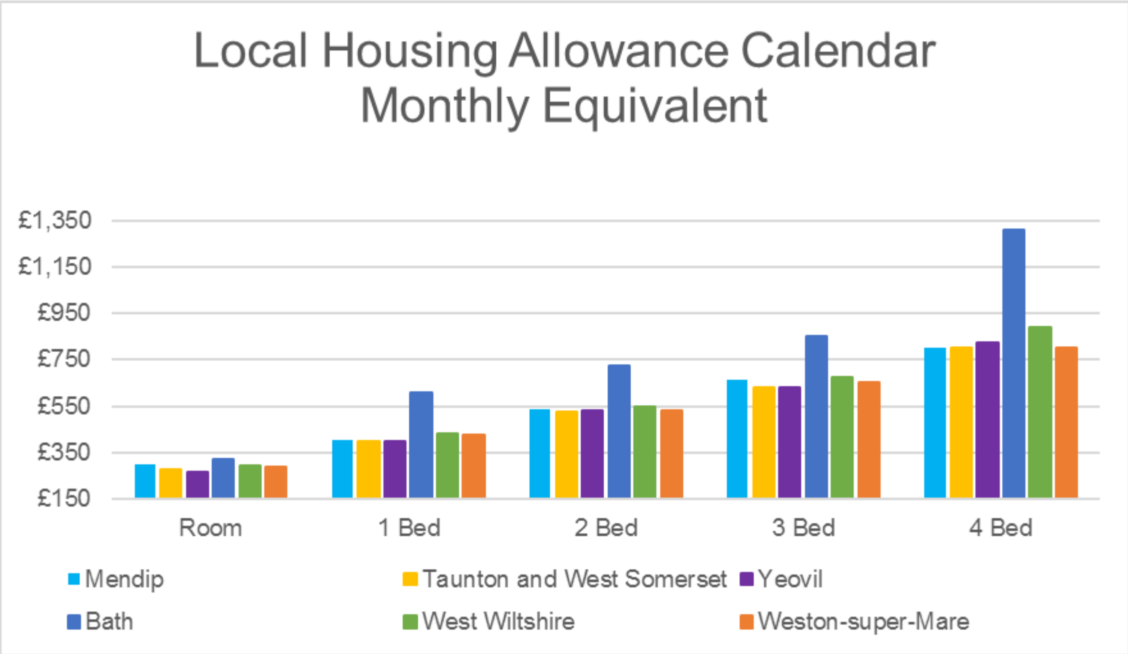
In the majority of cases the district rent levels are below both the South West average and the England average.

The figures in Table 7 and Table 8 indicate a widening gap in affordability to rent. A family renting a 3 bedroom house in the South Somerset area, would pay approximately 30% of their income would be taken up paying rent.

Local Housing Allowance

The Local Housing Allowance (LHA) are the rates used to calculate housing benefit and the Housing Element of Universal Credit for tenants renting from private landlords. The LHA rates relate to the area in which you make your claim. These areas are called Broad Rental Market Areas (BRMA). A BRMA is where a person could reasonably be expected to live taking into account access to facilities and services.

Chart 2: Local Housing Allowance



The LHA boundaries do not mirror the district boundaries. Of the six BRMAs, Bath receives the highest LHA across all housing types. When comparing Yeovil, Mendip and Taunton Deane, it can be seen that Mendip has the highest LHA for all property sizes except 4-bed accommodation, where this is higher for Yeovil. Taunton Deane and Yeovil have very similar LHAs across all property types; however, Taunton Deane has a higher rate for rooms.

Affordable Housing

The evidence suggests that there is a considerable gap in the affordability of homes either to purchase or to rent privately in Somerset (tables in this report demonstrate). This is due to low earnings relative to house prices and rental values. The need for affordable housing is evident.

Table 10: Estimated Annual Affordable Housing Need

	Current need* (annualised)	Newly forming households	Existing households falling into need	Total need	Re-let supply	Net need	Net need % of Total need
Mendip	17	351	191	559	319	240	43%
Sedgemoor	15	408	232	655	354	301	46%
South Somerset	20	466	379	865	659	206	24%
Taunton Deane	17	363	393	774	613	161	21%
Somerset	74	1665	1274	3013	2058	955	

Source: SHMA 2016

Table 10 above also included within the Strategic Housing Market Assessment (SHMA) 2016, demonstrates the estimated annual need for affordable housing by location. There was no data available for West Somerset as they were not part of the SHMA. However, the need for West Somerset is shown as information has been taken from Homefinder Somerset.

Current need reflects the annual number of households already expressing a need for affordable housing and includes households without housing, concealed households. Concealed households are family units or single adults living within ‘host’ households.

Table 10a below details the gross need for intermediate and affordable/social rented housing taken from the SHMA 2016. The SHMA also mentions other factors that should be considered when looking at the table below such as the savings an applicant may have, access to a deposit and the supply of intermediate housing.

Table 10a: Gross need for Intermediate and affordable/social rented housing

Component of need (all per annum)	Intermediate Housing	Affordable rented	Social rented	Total
Current need	3	5	66	74
Newly forming households	234	244	1187	1665
Existing households falling into need	105	115	1054	1274
Total	342	364	2307	3013
Percentage of Total	11%	12%	77%	100%
Mendip	12%	14%	75%	100%
Sedgemoor	12%	13%	75%	100%
South Somerset	11%	10%	79%	100%
Taunton Deane	11%	13%	76%	100%

Source: SHMA 2016

The figures above show the suggested percentages of need for the different tenures provided as affordable housing. It is clear in all districts that the highest need is for social rented dwellings which account 70-80% of the need overall whilst intermediate housing and affordable rented housing account for 10-15% each.

Homefinder Somerset

Homefinder Somerset is the countywide housing register for people needing social housing. Registered households are placed in four bands – Gold, Silver and Bronze plus a separate Emergency banding. The banding determines the urgency of their affordable Housing need.

Table 11: Households with active applications as at 6th December 2019

	No. of bedrooms needed						
	1	2	3	4	5	6	Total
Mendip	**791**	**511**	**220**	**51**	**4**	**0**	**1,577**
Emergency	2	0	0	0	0	0	2
Gold	44	34	11	13	2	0	104
Silver	347	231	149	28	2	0	757
Bronze	398	246	60	10	0	0	714
Sedgemoor	**1,138**	**794**	**343**	**92**	**7**	**2**	**2,376**
Emergency	1	1	0	0	0	0	2
Gold	77	42	24	12	7	2	164
Silver	313	319	178	59	0	0	869
Bronze	747	432	141	21	0	0	1,341
Somerset West & Taunton	**2,148**	**1,215**	**528**	**151**	**22**	**1**	**4,065**
Emergency	6	4	1	0	0	0	11
Gold	203	75	32	23	14	1	348
Silver	575	453	307	103	7	0	1,445
Bronze	1,364	683	188	25	1	0	2,261
South Somerset	**978**	**632**	**319**	**84**	**10**	**2**	**2,025**
Emergency	1	1	1	0	0	0	3
Gold	97	49	27	13	6	2	194
Silver	258	207	170	64	3	0	702
Bronze	622	375	121	7	1	0	1,126
Total	**5,055**	**3,152**	**1,410**	**378**	**43**	**5**	**10,043**

Source: Homefinder Somerset

NB: The figures for Somerset West and Taunton Council (SWT) reflect that there is work to do to cleanse the information held on Homefinder, something they will do when the resources are in place to allow this to happen. Therefore the current figures suggest that SWT have a higher housing need than the other councils in Somerset.

The table above sets out the number of application on Homefinder Somerset as at December 2019. From this there are just over 10,000 householders registered in Homefinder. The majority are in the bronze category although there are 18 applications in the emergency banding. The figure for December and from the past suggests that there has been and remains strong demand, and that demand which outweighs supply.

Registered households are placed into four bands – Gold, Silver and Bronze plus a separate Emergency banding – to determine the urgency of their affordable housing need. Somerset West and Taunton has the highest level of households in gold band. There are currently (December 2019) 18 in emergency banding.

The banding criteria for each band are shown at Table 12. The Emergency Band is for those applicants that require an 'urgent' move to ensure their safety and welfare.

Table 12: Banding criteria for Homefinder Somerset

Gold Band – High need (G)	Silver Band – Medium Need (S)	Bronze Band – Low Need (B)
Homeless households who are owed a main homeless duty by a Homefinder Somerset partner authority.	Where the applicant lacks 1 bedroom in their current home.	Where an applicant is adequately housed.
Applicants who lack 2 or more bedrooms or have been confirmed as overcrowded by a Local Authority officer.	Applicants who can demonstrate a need to move for employment reasons or to give or receive support where significant harm would result if this was not provided.	Where applicants own their own property but whose home is not suitable for their needs but they have sufficient equity to address their housing needs.
Current supported housing residents or care leaving applicants who are assessed as ready to move on to independent living.	Where there is a medium medical need. Medium welfare need	Applicants with a low medical need. Applicants with a low welfare need.
High disrepair for people living in the private sector.	Medium disrepair for people living in the private sector.	Applicants living in short term supported housing or are care leavers prior to being ready to move at which stage they will move up to the gold band.
High medical need High welfare need	Applicants with dependent children and are lodging with friends or family or in accommodation with shared living facilities.	Applicants with no dependent children and are lodging with friends or family or in accommodation with shared living facilities.
Applicants awarded a 'medium' medical priority, combined with 'medium' disrepair award from the silver band.	Other homeless (where Homefinder Somerset partners do not owe an applicant a full homeless duty).	Applicants are assessed as having adequate financial resources to address their housing needs.
Victim of harassment or violence at their current property within the Homefinder Somerset area.	Applicants of split families who not by choice are living separately.	Applicant has no housing need.
Applicant awarded 4 or more silver band housing needs with the exception of applicants found to be intentionally homeless.		Applicant has deliberately worsened their circumstances or made use of the under occupation band before, or has accepted an offer that doesn't meet their needs previously.
Social housing tenants whose homes are subject to major works for rebuilding/renovation or re-designation.		Applicants with low disrepair needs living in private sector rented property.
Where the Local Authority receives written support from a Homefinder Somerset landlord that an applicant has no legal right to succession and the landlord will pursue possession.		Applicants that have no local connection applying for extra care or sheltered properties.

Affordable Housing

Affordable housing is best described as housing provided at prices below the prevailing market value for people who are unable to find a suitable home on the open market (primarily due to its price). Affordable housing can be provided on a rental or home ownership basis.

The SHMA 2016 set out the estimated size of dwellings needed for affordable housing 2014 to 2039 by Local Authority area

Table 13: Estimated size of affordable dwellings needed 2014 to 2039

	One bedroom	**Two bedrooms**	**Three + bedrooms**
Mendip	48.2%	31.5%	20.2%
Sedgemoor	43.3%	28.4%	28.3%
South Somerset	44.6%	37.3%	18.2%
Taunton Deane	47.5%	32.3%	20.2%

Source: SHMA 2016

Affordable housing is provided in a number of different ways as follows:

Affordable rented housing	Affordable rented homes are provided by the both the Council (where they still have their own housing stock) and Registered Providers (Housing Associations). For the rent to be classified as affordable, it must be no more than 80% of the market rent (including service charge)
Social rented housing	Social rented homes are provided the Council (where they still have their own housing stock) and Registered Providers (Housing Associations)
Shared ownership	Shared ownership properties can be both new and re-sale properties and are provided by Registered Providers (Housing Associations). With shared ownership you buy a proportion of the property and rent the other proportion. Over time you can increase the proportion that you own by buying additional percentages. Re-sales – these are properties that have already by been bought through shared ownership in and the owners are now looking to sell their % share.

Table 14: Number of affordable homes delivered

	2015/16	2016/17	2017/18	2018/19*	Estimated Annual Affordable Housing Need
Mendip	120	38	189	100	240
Sedgemoor	98	147	65	130	301
South Somerset	128	48	86	122	206
Taunton Deane	222	284	92	218	161
West Somerset	21	40	21	3	47
Total	589	557	453	573	955

Source: Local Authority information

Although the number of affordable homes delivered has increased, the area is still around 40% short of what is needed, annually, in order to meet need.

Empty Homes

Long term vacant dwellings mean 'dwellings which have been unoccupied and substantially unfurnished for over 6 months'. In October 2018 there were just over 2000 long term vacant dwellings within the County, the highest proportion being within South Somerset.

Table 15: Number of long term vacant dwellings

	2013	2014	2015	2016	2017	2018*
Mendip	470	439	404	460	479	332
Sedgemoor	390	277	269	335	325	376
South Somerset	470	636	739	595	643	657
Taunton Deane	428	473	464	456	388	453
West Somerset	211	224	202	224	241	223
Total	1969	2049	2078	2070	2076	2041

Source: Local Authority data

All districts work within their Authority area to identify empty dwellings. They proactively work with the owners to understand the reasons the dwelling is empty to enable collaborative working with partners to help the owners access low cost loans and advice and guidance on repairs and leasing.

Sedgemoor has secured funding to develop empty properties through the Hinkley Point C development agreement. The project to bring empty homes back into use, works with Somerset Care and repair who lease the property from the owner, bring the property back in use and subsequently manage the property. The project has been phased as money has been released. To date phase one to three of the project has delivered 121 bed spaces against a target of 115 bed spaces.

Due to recent changes in legislation under the Local Government Finance Act 1992, local authorities now have the discretion to increase the council tax charges in empty dwellings. This is in addition to the existing 150% council tax on all dwellings that are empty for 2 years or more.

All districts either have already introduced increases in council tax charges for empty properties or are looking to do so in line with the new legislation. The charges range from a total of charge of 200% to 300% for dwellings vacant dwellings for longer periods. This will help the districts in their commitment to encouraging empty properties back into use.

In certain circumstances if a dwelling remains empty the relevant district can take enforcement action. This can be in the form of enforced sale, compulsory purchase order (CPO) or an empty dwelling management order (EDMO).

It is imperative that all districts monitor the benefit realisation of each targeted action to help inform future strategies.

Homelessness in Mendip, Sedgemoor, South Somerset and Somerset West and Taunton

A **main homelessness duty** is owed where the authority is satisfied that an applicant is eligible for assistance, unintentionally homeless and falls within a specified priority need group. Such statutory homeless households are referred to as 'acceptances'.

The MHCLG's Homelessness code of guidance for local authorities identifies the following categories of applicant as having a priority need for accommodation:

1. A pregnant woman or person with whom she resides or might reasonably be expected to reside
2. A person with whom dependent children reside or might reasonably be expected to reside
3. A person who is vulnerable as a result of old age, mental illness, learning disability or physical disability or other special reason, or with whom such a person resides or might reasonably be expected to reside
4. A person aged 16 or 17 who is not a 'relevant child' or a child in need to whom a local authority owes a duty under section 20 of the Children Act 1989
5. A person under 21 who was (but is no longer) looked after, accommodated or fostered between the ages of 16 and 18 (expect a person who is a relevant student)
6. A person aged 21 or more who is vulnerable as a result of having been looked after, accommodated or fostered (except a person who is a 'relevant student')
7. A person who is vulnerable as a result of having been a member of Her Majesty's regular naval, military or air forces
8. A person who is vulnerable as a result of
   a. Having served a custodial sentence
   b. Having been committed for contempt of court, or any other kindred offence; or
   c. Having been remanded in custody
9. A person who is vulnerable as a result of ceasing to occupy accommodation because of violence from another person or threats of violence from another person which are likely to be carried out
10. A person who is homeless, or threatened with homelessness, as a result of an emergency such as flood, fire or other disaster

Table below shows the outcome of homelessness applications by district for the year 2018/19

Table 16: Homelessness application decisions

	Mendip	Sedgemoor	South Somerset	Somerset West and Taunton
Eligible, unintentionally homeless & in priority need	10	84	83	62
Eligible, homeless, in priority need but intentionally Homeless	4	7	9	0
Eligible, homeless but not in priority need	18	38	25	7
Eligible but not homeless	2	14	2	2
Lost contact prior to assessment	2	3	0	0
Withdrew prior to assessment	1	0	1	89
Not Eligible for assistance	0	1	4	10
Total	37	147	124	170

Source: Local Authority data

NB: When the Homeless Reduction Act was introduced in 2018 any approach, regarding homelessness, including those who approached via email and telephone, were recorded onto the system and taken through an initial triage. Out of the 1170 approaches, 89 either failed to continue to engage to enable an assessment to be carried out or did not meet the criteria to continue with an assessment (i.e. they were not homeless/threatened with homelessness or ineligible for assistance)

The top 5 reasons why an individual contacts the local authority with a threat of homelessness are set out in the table below.

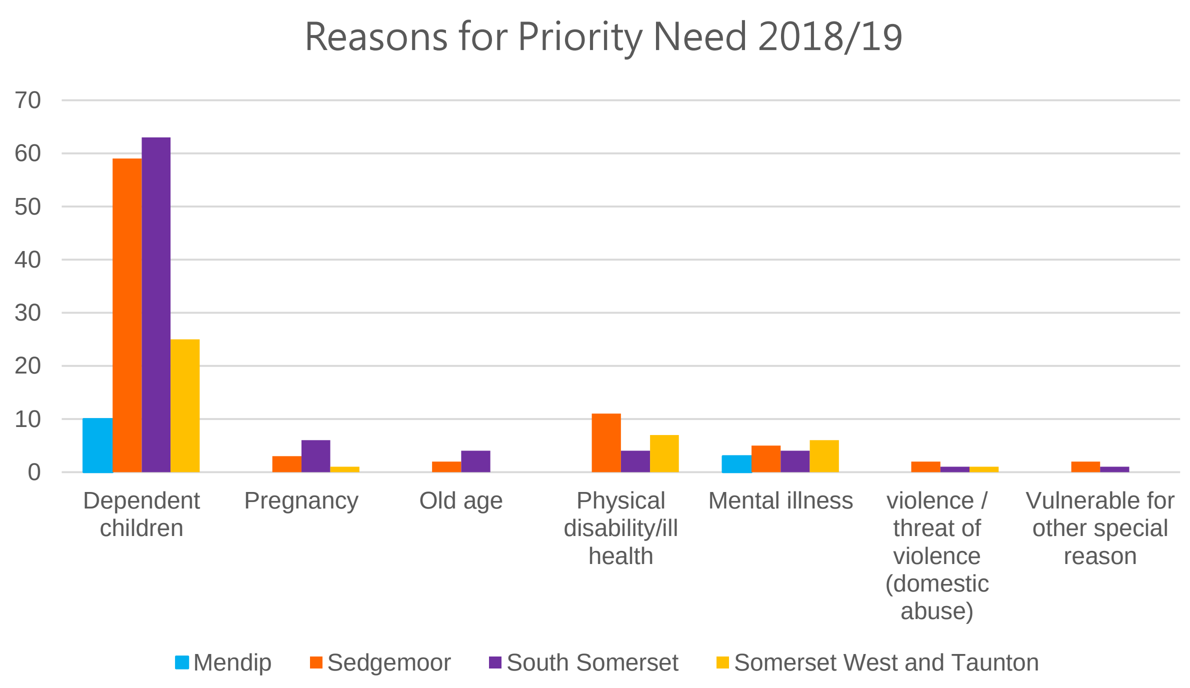
Table 17: Top 5 reasons for initial contact

Mendip	**Sedgemoor**	**South Somerset**	**Somerset West and Taunton**
Loss of Assured Shorthold Tenancy	Loss of Assured Shorthold Tenancy	Loss of Assured Shorthold Tenancy	Loss of Assured Shorthold Tenancy
Family no longer able/ willing to accommodate	Family no longer able/ willing to accommodate	Non- Violent breakdown of relationship	Family no longer able/willing to accommodate
Non- Violent breakdown of relationship	Non- Violent breakdown of relationship	Family no longer able/ willing to accommodate	Non- Violent breakdown of relationship
Domestic abuse	Domestic abuse	Domestic abuse	Rough Sleeping
End of Social Rented Tenancy	End of Social Rented Tenancy	End of Social Rented Tenancy	Domestic Abuse

Note: End of social rented tenancy would normally be because the tenant has failed to adhere to their tenancy agreement such as anti-social behaviour, failing to adequately maintain the dwelling or garden, or rent arrears.

The chart below shows the 'Applicant households found to be eligible for assistance, unintentionally homeless and in priority need during the financial year 2018/19, by priority need category'

Chart 3: Reasons for priority need



As can be seen above having dependent children, is the main reason priority determined. The other reasons cover the main criteria for a 'vulnerable' individual.

58% of the applicants to whom we owe a main housing duty are aged 25-44, this compares with 20% incidence in the general population. 16-24 year olds follow, who make up 25% of the applicants, but only around 10% of the general population. This figure supports the work the councils in Somerset do through P2i which is a service designed to prevent youth homelessness.

Table 18 below shows the breakdown of homelessness duty by age, the information has been provided direct by each of the local authorities.

Table 18: Households accepted by LA as owed a main homelessness duty by age of applicant

2018/19	16-24	25-44	45-59	60-64	65-74	75 & above	Total
Mendip	3	2	5	0	0	0	10
Sedgemoor	13	53	11	1	6	0	84
South Somerset	23	48	6	0	3	3	83
Somerset West and Taunton	7	27	6	0	0	1	41
Total	46	130	28	1	9	4	218

Source: Local Authority data

Temporary accommodation

Temporary accommodation is offered if a person or family is already homeless and the council is considering a homeless application.

The table below shows the number of households accommodated in temporary accommodation within each District since 2014 as a snapshot in time on the last day of the end of quarter 4 (January to March) each year.

Table 19: Number of applicant households accommodated in temporary accommodation since 2014 as at 31st March each year (as a snapshot in time)

	2014	2015	2016	2017	2018	2019
Mendip	19	5	7	6	3	8
Sedgemoor	9	17	23	23	32	37
South Somerset	34	36	31	37	39	35
Taunton Deane	34	31	34	18	23	37
West Somerset	6	6	2	3	9	3

The Hinkley Point C Impact

The Hinkley Point C project, will see the construction of the new nuclear reactors on the West Somerset coast, next door to the current Hinkley Point B station currently in operation.

During the planning stages, the impact on housing was investigated and it was clear that there would an impact, and therefore through the S106 agreement monies were allocated to increase bedspaces within the areas that were identified as being most affected by the build and the increase in workers.

Inevitably the housing picture has changed particular in Bridgwater and the villages closest to site. Changes include:

1. Increase in caravan sites where workers have been living in rented vans or where they bring their own
2. Increase in people buying to let and in some cases turning these properties into houses of multi occupation
3. Increases in rent, in some cases impacted in existing tenants
4. People renting out spare rooms to one or two workers

These changes have been offset by the S106 monies and the initiatives that have been put into place. As at November 2019, about 1400 extra bedspaces have been created within Bridgwater and the surrounding area to overcome the impact of the changes in the housing market.

Homelessness Prevention & Relief

Assessments and Personalised Housing Plans (PHPs)
Housing Authorities have a duty to carry out assessments (section 189A of the Housing Act 1996) in all cases where an eligible applicant is homeless or threatened with homelessness. This will identify what has caused the homelessness or threat of homelessness, the housing needs of the applicant and any support they need in order to be able to secure and retain accommodation. Following this assessment the housing authority must work with the person to develop a written *"personalised housing plan (PHP) which will include actions (or "reasonable steps") to be taken by the authority and the applicant to try to prevent or relieve homelessness".* The introduction of PHPs was as a result of the Homeless Reduction Act (HRA) 2017 which came into force from April 2018. This has increased the volume of work for Local Authority housing teams given that everyone applying for assistance from a housing authority stating they are homeless or threatened with homelessness will require an initial assessment where they are eligible and homeless / threatened with homelessness and provide written personalised housing plans for all.

Homelessness prevention means that we work with people to assist them to remain in their present home either permanently or temporarily whilst they secure alternative housing which in turn avoids homelessness. This could involve services such as debt advice, undertaking Tenancy Accreditation Scheme, rapid response service, Intensive tenancy support, rapid support carried out jointly by Citizens' Advice (CAB) and the Local Authority, mediation, floating support, deposit schemes, rough sleeper outreach for example.

Homelessness relief is where an authority has been unable to prevent homelessness, Section 189B of the Housing Act 1996 requires housing authorities *"to help people who are homeless to secure accommodation"* and applies when the housing authority is satisfied *"the applicant is both homeless and eligible for assistance".* Where the LA has *"reason to believe the applicant may be eligible, homeless and in priority need they must also provide interim accommodation"* (temporary accommodation) whilst fulfilling the relief duty.

Ending the relief and prevention duty – the Local Authority can only bring to an end the prevention or relief duty in several specified ways (for more details please refer to the MHCLG Code of Guidance). In addition, the prevention duty will end where the applicant has become homeless and the relief duty will end when 56 days has passed and the housing authority is satisfied that the applicant has a priority need and is homeless unintentionally or on refusal of a final accommodation offer or Part 6 offer.

If prevention or relief were unsuccessful the applicant will be owed the Main Housing Duty to applicants who are eligible, have a priority need for accommodation and are homeless unintentionally. This is explained earlier at page 17.

Table 20: Successful homeless prevention and relief cases

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	% Change since 2012/13
Mendip	222	295	192	263	313	324	377	69.81%
Sedgemoor	483	797	1089	747	498	526	272	-43.6%
South Somerset	260	219	172	190	201	201	206	-20.76%
Taunton Deane	204	306	187	248	289	156	640	171.18%
West Somerset	32	97	46	85	94	68		

Source: Local Authority data

The number of homeless prevention and relief cases can be further broken down to allow analysis of how many households were assisted to remain in their accommodation, how many households were assisted to move to alternative accommodation and how many homeless cases were effectively relieved. The breakdown of these figures for 2018/19 is shown in Table 23 by district.

Table 21: Breakdown of homeless prevention and relief cases 2018/19

	Prevention		**Successful homelessness relief**	**Total**
	Assisted to remain in accommodation	Assisted into alternative accommodation		
Mendip	77	251	49	377
Sedgemoor	32	161	73	266
South Somerset	24	104	78	206
Somerset West and Taunton	251*		389	640

Source: Local Authority data

**Breakdown unavailable*

The Homelessness Reduction Act 2017 came into force on the 3rd April 2018. It was a big change for local authorities and since its introduction, the impacts have been:

1. There has been increased pressure from a range of sources, including
    a. Increased pressure on resources, some council have taken on additional staff to deal with the additional workloads, this put pressure on them to find additional funds
    b. Length of time a member of staff is working on a case as the applicant remains with the case officer longer due to the 56 days we must now keep them 'under relief' until the final decision is made or duties are discharged
    c. Lack of accommodation and affordability
    d. Landlords being more risk adverse
    e. Increased number of applicants with complex needs making it challenging to rehouse
    f. Burden to accommodate for longer in temporary accommodation during relief stage, e.g. intentionally homeless, now accommodate for 56 days before can make an intentionally homeless decision
2. Personal Housing plan production and monitoring, requiring additional staff time and resource
3. H-CLIC administration and process requirements have increased administration for officers (H-CLIC is the government statutory returns)
4. Incredibly challenging to recruit experienced, professional housing options officer staff – a challenge for all local authorities in the South West England (and further afield) meaning often Las are operating with vacancies or with inexperienced staff or have resorted to taking in costly temporary agency staff

Armed Forces Veterans and homelessness

The Armed Forces Covenant is a pledge to ensure that we will do all we can to ensure that veterans are treated fairly and not disadvantaged in their day to day life. Somerset collectively signed the pledge in 2012 and has since that have formed the Somerset Armed Forces Covenant Partnership to ensure that the pledge is honoured and delivered upon.

In October 2017, the MOD produced figures based in data from the Office for National Statistics Annual Population Survey 2016. The study estimated that 75.64% of the veteran population in Great Britain own a house outright, or with a mortgage and 23.19% rent or part rent their property. This would therefore imply that 1.17% of veterans are potentially homeless.

MOD provides the numbers of current armed forces pension and compensation recipients at different geographic levels. It does not show those entitled to deferred pension payments (minimum eligibility criteria is 2 years of service). Data is separated into three main datasets:

- Armed Forces Pension Scheme (AFPS).
- War Pensions Scheme (WPS)
- Armed Forces Compensation Scheme (AFCS)

Table 23: Location of Armed Forces pension, war pension and compensation recipients 31/3/2019

	Veterans	AFPS	WPS	AFCS
Mendip	980	881	236	31
Sedgemoor	986	868	258	52
South Somerset	3334	3025	686	292
Taunton Deane	1270	1044	352	235
West Somerset	333	289	92	18
Total	6903	6107	1629	628

The vulnerabilities and support needs of homeless ex-Service personnel are, overall, very similar in nature to those of other non-statutory homeless people, but a greater proportion of ex-Service personnel have alcohol, physical and/or mental health problems.

Post-Traumatic Stress Disorder (PTSD) has been found among a small number of homeless veterans although other non-military related mental health problems were more common.

A 2013 study conducted by York University (commissioned by the Centre for Housing Policy) identified several key reasons why veterans experience housing difficulties. These include:

- A shortage of affordable accommodation
- Problems sustaining a tenancy
- Relationship breakdown
- Inadequate transition planning from the Armed Forces

Other factors that may contribute to homelessness amongst single veterans include their experience of service, e.g. unfamiliarity with civilian life (e.g. housing market, the welfare system and budgeting) making it difficult for them to secure housing and to manage tenancies.

Homeless veterans have also been found on average to be older, have slept rough for longer, be less likely to use drugs and more likely to have alcohol-related problems.

In considering the needs of homeless veterans, addressing the wider and contributory factors through informed advice and referral to specialist military support services can be, therefore, as important as the meeting the accommodation needs.

The Royal British Legion is currently supporting a campaign 'No Homeless Veteran' to raise the profile of veterans who are currently homeless.

Youth Housing in Somerset

Pathways to Independence (P2i) is a commissioned service, by the county council, supported by district councils, that deals with youth housing in Somerset.

Somerset County Council and the four districts across Somerset commissioned the setting up of the Pathways to Independence (P2i), during 2012/13 as s response to the escalating issues around youth housing in Somerset. P2i was launched in May 2013 and is the multi-agency homelessness prevention service for young people aged 16 to 25 who reside in, or have a local connection to the Somerset area.

Primarily, the service was designed to prevent homelessness by providing targeted prevention measures. If prevention was not possible the service allows young people with housing related support needs to progress along a pathway of outcome focused needs led provision, until they are able to sustain independent living without the need for support.

Whilst P2i has achieved its objectives and has provided a good service over the past three years there are some key areas of service delivery that were not considered as part of the original specification and as a result have arisen in gaps in provision for some of the most vulnerable young people. To understand these identified gaps, a comprehensive needs analysis was undertaken and informed the new specification which was launched on the 1st January 2017. For example there is a need for smaller properties rather than larger multi occupancy dwellings such as a Foyer provision. The current contract is due to end in September 2021 and aims to create an outcomes focussed service.

Table 24 shows the age demographic of P2i for all districts, it shows that the largest proportion of individuals are aged 18-21.

Table 24: P2i age demographics as of 28th March 2019

	16/17	18/21	22 and over
Mendip	4	30	5
Sedgemoor	10	19	9
South Somerset	5	17	9
West Somerset and Taunton	2	22	12
Total	21	88	35

Chart 4 shows the number of contacts that staff have had with individuals when an assessment of need has been completed. Please note that one person could have had contact on more than one occasion. The reason for contact is largely being threatened with homelessness.

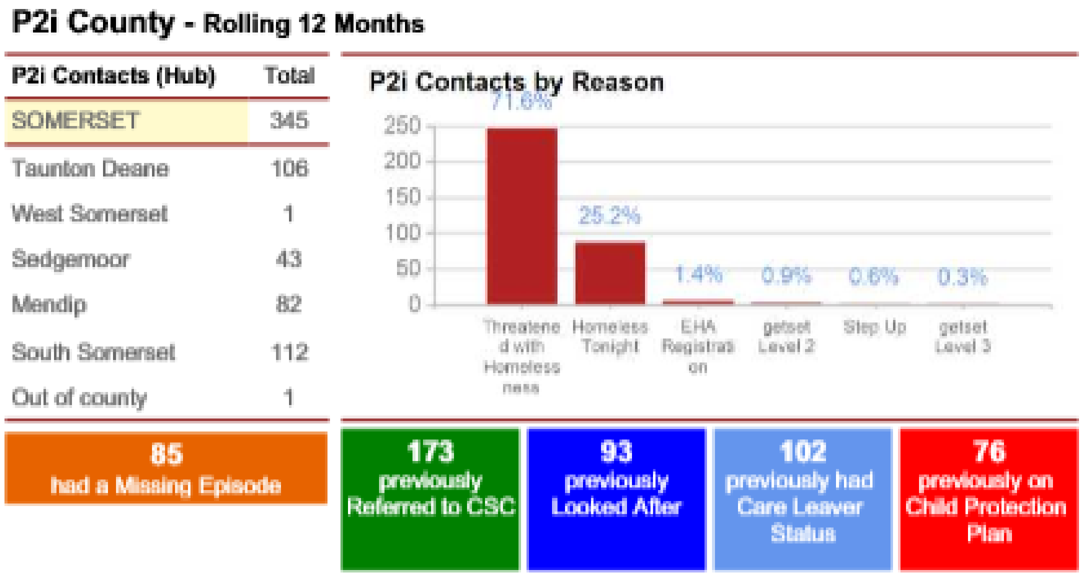
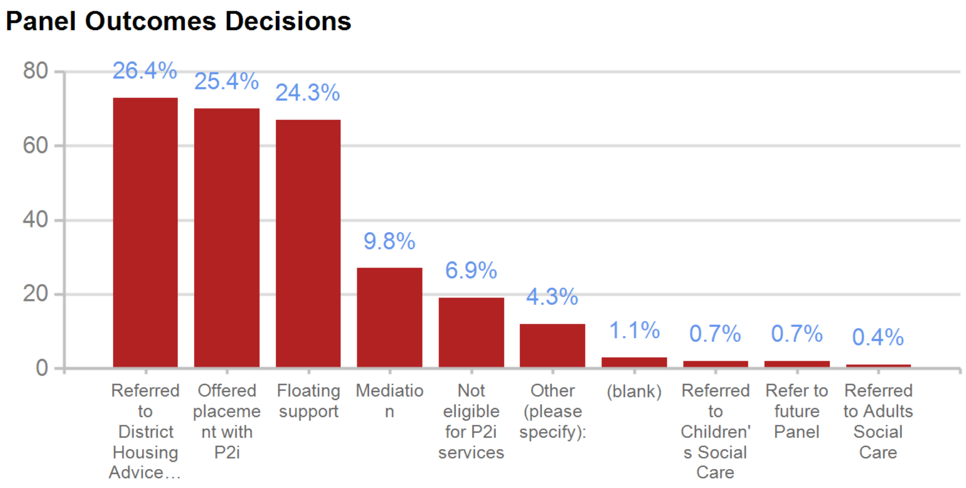


Chart 5, below, shows that just over a quarter of all cases are referred to the local authority for housing advice with another 25% being offered a placement, there is also just under 25% that need floating support. This highlights the need for adequate housing to be provided which is suitable and available to prevent youth homelessness.



Housing and support for vulnerable adults and people with complex needs

In May 2015, following budget cuts for adults with complex needs, it was agreed that a countywide approach was needed and a multi-agency, cross sector alliance was formed. It championed a new approach that innovated and delivered creative solutions for the most entrenched adults with complex needs. It offered greater flexibility and commitment around multi-agency working as well as a strategy to deliver effective ongoing support.

Positive Lives was initiated through the Local Government Association (LGA) sponsored Design in Public Services programme undertaken in 2015. It has since then developed into a broad multi-agency, cross sector coalition of partners.

Positive lives has focused on the following objectives:

- To strengthen positive family and supports objectives
- To promote physical and emotional health as part of a positive life
- To reduce or avoid unnecessary admissions to hospital/care/prison
- To help maintain stability of tenure
- To provide the right support at the right time – least intervention first
- To reduce unnecessary financial burdens on agencies

Over the last year Positive Lives have

- Supported 850 people
- Supported 400 people at any one time
- 380 people engaged with education or training
- 226 people moved into independent living
- 47 people obtaining employment
- 38 very vulnerable/high risk people moved into independent living
- 20 people engaged in formal volunteering as a preparation for work

- 262 people from local communities have provided voluntary support

Step Together is a new support service commissioned by Somerset County Council for adults in Somerset who are homeless or at risk of homelessness, and also have a mix of mental health needs, drug and alcohol problems, behavioural issues, debt or have been involved in the criminal justice system.

The service is provided by 'Second Step' whose clients have complex needs and often find it extremely hard to sustain positive change in their lives. Their service is primarily about helping people to live fulfilling lives in their own communities, retain their tenancy and reduce repeated homelessness.

The contract will be closely monitored to ensure that positive outcomes are delivered for this client group.

Income Maximisation, Debt and Money Management

Citizens Advice are funded by all districts to provide budgeting, money and debt advice to individuals and warrant schemes across the county linked to local needs. These services are integral to helping many households keep their homes or access a new home if they cannot stay, and importantly help to prevent future homelessness through tenancy sustainment.

Gypsy and Travellers

For the purposes of planning policy for Traveller Sites, travellers means gypsies and travellers and travelling show people.

Gypsies and Travellers means 'persons of a nomadic habit of life whatever their race or origin, including such persons who on grounds only of their own or their family's or dependants' educational or health needs or old age have ceased to travel temporarily, but excluding members of an organised group of travelling show people or circus people travelling together as such'.

Travelling show people means 'members of a group organised for the purposes of holding fairs, circuses or shows'.

When considering the needs of Gypsy and Travellers who travel through and temporarily settle in the county, it is very unusual for members of the community to come into the housing office and present as homeless. Instead, their needs are normally assessed when we visit any unauthorised encampment and appropriate advice is given at the time.

The Somerset Gypsy and Traveller Accommodation Assessment (GTAA) was originally produced in 2010 and updated in 2013. It currently runs to 2032 and sets the number of pitches required in each district, together with transit requirements and showman yard requirements. The GTAA is being reviewed in 2020.

Gypsy and Travellers are not homeless simply because they live in accommodation that is moveable or impermanent nor because they travel; however, like any household they may become at risk of being homeless and in need of advice and assistance. Under the Housing Act 1996, section 175 (2) (b) ' A person is also homeless if he has accommodation but – (b) it consists of a moveable structure, vehicle or vessel designed or adapted for human habitation and there is no place where he is entitled or permitted both to place it and to reside in it'.

Somerset, Mendip in particular, has seen a large increase in a caravan dwellers, where caravans pitch at the side of road, or on local authority or Somerset County Council land and live there.

Rough Sleeping in Somerset

Rough sleeping is defined as 'People sleeping, about to bed down (sitting on/in or standing next to their bedding) or actually bedded down in the open air (such as on the streets, in tents, doorways, parks, bus shelters or encampments). People in buildings or other places not designed for habitation (such as stairwells, barns, sheds, car parks, cars, derelict boats, stations or 'bashes' which are makeshift shelters, often comprised of cardboard boxes). The definition does not include people in hostels or shelters, people in campsites or other sites used for recreational purposes or organised protest squatters or travellers (this includes new age/van dwellers).

Rough sleeping within the county is currently challenging. Living on the street is detrimental to mental and physical health and wellbeing. People sleeping rough develop chronic health problems and die younger, and are more at risk from violence. Rough sleeping also has an impact on local residents and visitors. Any rough sleeping is a concern and we aim to find ways to alleviate, reduce and ultimately end all rough sleeping across the county.

Reconnections is making sure that homeless people are reconnected back to home area where they have a connection. This is an area that will continue to need to be reviewed to ensure we have effective mechanisms to address robustly and swiftly.

Mendip and Taunton Deane councils were identified by the Government as having high numbers of rough sleepers and through the Governments Rough Sleeper Initiative, funding was given to create a coordinated strategic approach along with joined up front line services to tackle the issues head on.

It has become evident recently that a significant number of Rough Sleepers from the Sedgemoor area were historically utilising Rough Sleeper Services within the Taunton area which effectively masked the Rough Sleeper issue in the Bridgwater and surrounding area. This shift explains the sharp rise in Rough Sleeper numbers in Sedgemoor from 2019 onwards (as seen in Table 25 below).

As a result, Somerset West and Taunton Rough Sleeper services have commenced positive partner relationships with Sedgemoor focussing on effective reconnection of Rough Sleepers back to Sedgemoor in a timely manner. It will be important moving forwards that all districts continue to liaise and monitor rough sleeper trends and encourage effective partnership working to support people within their home area avoiding drift into other Local Authority areas which puts pressure on services in those areas and masks issues at source.

The following services and features are helping to reduce the numbers of rough sleepers in these districts and enable individuals to engage in alternative safer and healthier options than rough sleeping, with a view to tackling the root of the problem and longer term recovery:

- Increased focus with a multi-agency partnership approach with monthly strategic pathways meetings of key professionals and weekly task and targeting meetings between staff on the ground
- Rough sleeper co-ordinator
- Housing coaches x 2 (Mendip)
- Assertive coaching
- Streetwise Officer (Taunton)
- Personal budgets to make a difference in engagement, preventing further nights outs
- Shared house for those who are new to the street (SWT)
- Housing First pilot schemes
  (Housing First model is designed to help individuals who have complex needs who have been unable to access and sustain housing with an opportunity to move forward and recover by providing non-conditional independent accommodation with quality, intensive, open-ended wrap-around support services)
- Funding for reconnections
- Psychologically Informed Environment approach with clinical psychology input for hard to engage rough sleepers with complex needs (Mendip)
- Landlord Liaison Officer for Keyring Lettings (Mendip)
- Additional drug and alcohol workers dual diagnosis workers (SSDC)
- Reconnection Officer (SWT)
- No Second Night Out Officer (SWT)

All districts commission direct access accommodation, drop-in and outreach, access to sheltered and single homeless supported accommodation and additional shelter in cold weather through Severe Weather Emergency Protocol (SWEP).

The Severe Weather Protocol sets out the type of arrangements that local authorities have in place to ensure people are not at risk of dying on the streets during cold weather. SWEP arrangements are triggered when the night time temperature is predicted to be zero degrees or below for three consecutive nights. Authorities make arrangements with local providers to open up more temporary shelter in these circumstances which are usually communal areas and halls. It is designed to protect rough sleepers from risks to health and life from the cold.

Table 25 below shows the extent of rough sleeping by District since 2012. This information is based on a single snapshot carried out on one night in the autumn every year using street counts and intelligence driven estimates.

Table 25: Extent of rough sleeping on one night in Autumn since 2012

	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Mendip	19	16	20	20	16	19	14	13
Sedgemoor	5	2	4	6	2	7	3	25
South Somerset	1	1	2	5	8	4	3	8
Taunton Deane	15	7	18	21	20	23	14	
West Somerset	0	2	6	4	2	4	2	

Using the quarter January to March 2019, further analysis of rough sleepers by characteristics

Table 26: Rough Sleeping by age, nationality and gender – January to March 2019

	Total	UK	EU	Non EU	Not known	Under 18	18-25	26 and over	Not known	Male	Female
SDC	3	1	1	0	1			3		3	
MDC	14	11	2	1	0			13	1	9	5
SSDC	3	3						3		3	
Taunton	14	13	1				1	12	1	14	
West Somerset	2	2						2		2	

Voluntary and Faith Groups

There are a number of voluntary and faith groups that provide valuable support to those in need within the county, for example, drop in sessions for social support, Health and Wellbeing related activities, volunteers, and opportunities for getting out of the cold in severe weather. There are also potential opportunities for the Local Authorities to work more closely with these groups so that they can help support the multi-agency approach to tackling rough sleeping by encouraging individuals to engage with services which will help them reconnect to their own area, engage with relevant support services and work towards accessing suitable accommodation and avoid unintentionally sustaining rough sleeping.

Consultation

A homelessness Survey was available throughout November and December 2018. The survey was sent to a sample of homeless applicants and all stakeholders. The number of responses received for each district is shown below. There were also consultation events across the County in December 2018

	Applicants	Stakeholders
Mendip	7	32
Sedgemoor	12	22
South Somerset	11	12
Taunton Deane	11	4
West Somerset	2	3
Total	**43**	**73**

Amongst applicants, there was only 19 of the total who found the Personalised Housing Plan (PHP) and referred to it again. Some of the comments attached to this referred to the fact that it did not feel personalised to them/their family. Perhaps more should be done to work with applicants to determine how to improve the PHP.

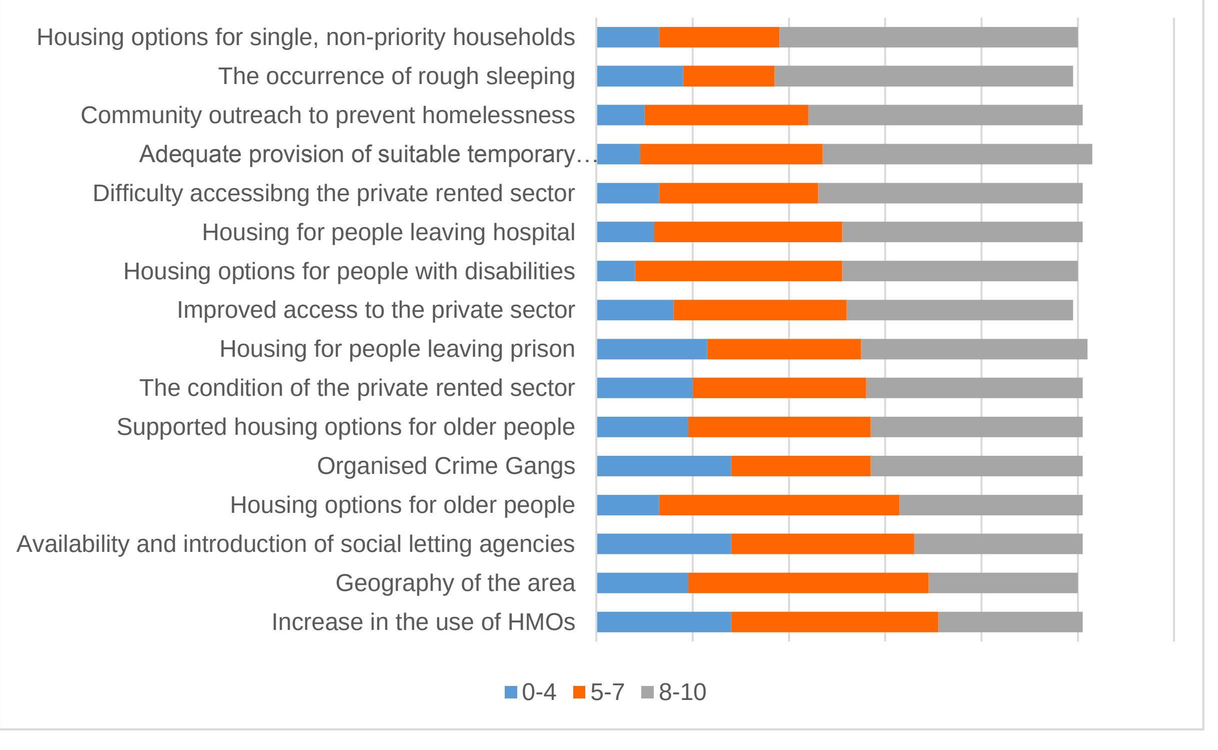
Those who had been offered temporary accommodation commented on the accommodation that they had been offered and, whilst some accepted this accommodation, several clients felt the accommodation was not suitable. Sometimes it felt unsafe because of the other tenants, or was unsuitable because of the applicant's specific needs around disability or because they were asked to share with a teenage child of the opposite sex. There were also comments more generally, that clients offered private rented accommodation felt they could not afford the accommodation proposed.

Stakeholders were asked how relevant a number of issues were to them in their roles. Shown in chart 6 are the priorities that were assigned the highest relevance. Those above the horizontal line are those that generate the highest scores for relevance; housing options for single, non-priority households and rough sleeping are deemed to be the most relevant priorities.

Participants at events highlighted that individuals with complex needs find it hard to engage with services; some are unable to cope with application and support process and some choose alternative lifestyle due to their detrimental life experiences. As well as difficulties in accessing accommodation there is often not enough specialist support available to enable those with complex needs to sustain accommodation. Those with complex needs can be a concern for those with lower needs, when placed together. This necessitates a review of gaps in service provision and the identification of alternative accommodation options (e.g. housing first initiatives) alongside necessary resourcing.   However there are other pressing needs, as shown.

Improved access to the private rented sector and better quality of provision here, is a relatively high priority. It is also clear that there are groups with particular needs who remain a key priority; those with disabilities, older people or those leaving hospital or prison. There is also a clear need for accessible suitable temporary accommodation for those with complex needs and / or disabilities.

Chart 6: Perceived relevance of priorities (rated 0-10)



The responses to the survey shown above are supported by verbatim comments made as part of the consultation:

'*Challenge to prevent homelessness and work together creatively in this respect. There is a huge gap in accessible temporary or longer term temporary accommodation to help move ons from hospital, repossessions etc. for people with complex medical needs for whom B&B simply is not an option'*

'Suitable and adequate housing choices. Affordable rents. Encouraging new and good quality landlords in the private sector to work with us. Prevention/Intervention Support after accommodation is found'

'There is a huge gap for those who have a dual diagnosed with mental health and drugs misuse. The homeless rate for individuals within this category is on the increase. Accommodation officers are housing individuals who fall out of their sector because they have no option. It is a huge concern for many agencies at this present time, especially with the weather turning'

Conclusions

The assessment has identified the following areas of concern that need to be considered further in the new Somerset homelessness and Rough Sleeper Strategy 2019-2023.

Areas that need to be considered further

1. Population projections show that the population is due to grow faster than anticipated, especially in the former Taunton Deane area and in Sedgemoor. The challenge to deliver sufficient affordable homes and to support the tenure needs of our residents will become more pressing, not less

2. The gap between the local housing allowance and market rent for private lets is a significant barrier in allowing applicants to secure a private rented property because they cannot secure financial support to make the home affordable. This can force people to make a difficult choice and move away from support, e.g. to move away from their family.

3. Bringing empty properties back into use is always a challenge. There is value in exploring and sharing best practice to increase the numbers brought back into use

4. When assessing what housing is needed in the county we need to ensure that adequate housing is provided which is suitable and available to help prevent youth homelessness.

5. In particular we need to work with enablers to encourage increased numbers of single social rented accommodation units being bought forward on developments to meet the needs of the majority of people who are seeking single unit accommodation via Homefinder.

6. There is a need to recognise the need for smaller units rather than larger multi-occupancy dwellings, to allow single and couples and non-priority households the ability to access housing. Working with planners to reflect housing needs in what is built could support this need.

7. Educating young people whilst they are at school about homelessness, to educate them with the aim of helping alleviate future youth homelessness, although funding will need to be considered to support this

8. Whilst we have been successful with cases in preventing and relieving their homelessness, we continue to seek new ways to reduce the number of people approaching us needing temporary accommodation in crisis

9. The Homeless Reduction Act 2017, brought in the need to produce a Personal Housing Plan (PHP) for clients. The consultation information identifies that further work is needed to in respect of PHP and the processes and systems needed to empower and enable customers to find solutions

10. Work with veterans and their families to put in place any additional protocols that could be needed to signpost to support with other factors, such as PTSD, alcohol or mental health problems which can exacerbate the situation

11. We have an ageing population in Somerset, especially 85 years and older group. The future needs of older people need to rise up the agenda and more energy given to understanding their requirements and future housing options.

12. Rough sleeping is a concern for all and a challenge in much of the county, in particular, due to higher numbers and complexity of need. It will continue to demand sustained focus and resource with additional interventions, strategies and coordinated partnership working. It’s likely that there is rough sleeping which is ‘unseen’, which would include sleeping in vehicles and tents hidden in rural areas. It is key that we also ensure we address reconnections robustly and swiftly.

13. Feedback from the consultation events about key issues expressed the need for more suitable, affordable sustainable accommodation. To achieve this there needs to be:

    - A continued need for increased collaborative working with partnership agencies where homelessness is an issue or risk, especially to support the vulnerable and those with complex needs. Resources are limited and in many cases, different agencies hold a different part of the jigsaw
    - Continued intervention where possible to help clients to remain in their existing homes to aid the prevention of homelessness. It is well recognised that homelessness costs individuals in terms of their mental and physical health as well as the cost to their finances and local service resources.
    - A review of relevant county-wide and local strategies, policies and practices support homelessness prevention and fair access to social and affordable housing and do not discriminate against those most in need

14. Consultation also highlighted concerns about vulnerable individuals with complex needs who find it hard to engage, access, navigate services and sustain accommodation without specialist support. Those with complex needs can be a concern for those with lower needs, when placed together. This necessitates a review of gaps in service provision and the identification of alternative accommodation options (e.g. housing first initiatives) alongside necessary resourcing

APPENDIX 2

Somerset Homelessness and Rough Sleeper Strategy and Action Plan 2019 to 2023 Draft December 2019

Contents Page

Contents

Introduction

The 2002 Homelessness Act places a duty on Local Authorities to develop a homelessness and rough sleeper strategy and an obligation to renew it every five years. The Homelessness Reduction Act 2017 brought significant changes, transforming service delivery to prevention focused services. New measures for dealing with homelessness were introduced including:

- Increasing the length of time a housing authority should treat someone as threatened with Homelessness from 28 to 56 days;
- The introduction of Personalised Housing Plans for clients to outline the circumstances of homelessness, the housing needs of the client, any support required to secure and sustain accommodation, steps that the client is required to take along with the steps the local authority is required to take to assist the client;
- A new duty to prevent homelessness for all eligible households threatened with homelessness;
- A new duty to relieve homelessness for all eligible homeless applicants;
- A new duty on public services to notify a local authority if they come into contact with someone they think may be homeless or at risk of becoming homeless.

In 2018 the Ministry of Housing Communities and Local Government (MHCLG) published its "Rough Sleeping Strategy" which set out the government's vision "to support every person who sleeps rough off the streets and into a home"; to halve rough sleeping by 2022 and ending it by 2027. It focuses on three key themes: Prevention; Intervention; and Recovery, aspirations which we also share.

The current interim strategy was developed by the four District Councils in Somerset and was adopted in 2018. Since the adoption of the Interim Strategy we have conducted a Homelessness and Rough Sleeper Needs Assessment which has been used as the evidence base for the "Homelessness and Rough Sleeper Strategy 2019 – 2023" We have also considered the impact of the Homelessness Reduction Act 2017 and the need for continued service development to address emerging new priorities.

The delivery of this Strategy will be monitored by the Homeless Managers Group (HMG). A full review will be conducted in 2023 when a new needs assessment will be carried out to guide development of a refreshed strategy.

How the strategy links with other strategies

In Somerset we have an overarching strategy, developed by the Somerset Health and Wellbeing Board "Improving Lives in Somerset Strategy 2019 - 2028", which details the county vision which includes the following:

- A thriving and productive Somerset that is ambitious, confident and focused on improving people's lives
- A county of resilient, well-connected and safe and strong communities working to reduce inequalities
- A county infrastructure that supports affordable housing, economic prosperity and sustainable public services
- A county and environment where all partners, private and voluntary sector, focus on improving the health and wellbeing of all our communities

The "Somerset Housing Strategy 2019 – 2023" was launched in March 2019, covers the whole county and sits beneath the "Improving lives Strategy in Somerset Strategy 2019 - 2028". The Strategy sets out the following vision for the county:

- **Strong and effective strategic Leadership**:
  To deliver leadership across an integrated system that embraces communities, housing, health & wellbeing, social care and town & country planning

- **A local Economy that provides opportunity for all**:
  To increase housing supply across all tenures and maximise the proportion of affordable homes including within rural communities, to be constructed by a skilled local labour force

- **Homes in Somerset are good for your Health**:
  A healthy living environment with secure and decent homes that fosters independent living within strong communities

- **A Society that supports the vulnerable**:
  Coordinated support to individuals and communities to reduce the impact of Welfare Reform, to prevent homelessness, and to facilitate a balanced housing stock that meets the needs of all local people

The "Homelessness and Rough Sleeper Strategy 2019 – 2023" sits beneath the "Somerset Housing Strategy" and works to support the vision and priorities detailed in it. The "Homelessness and Rough Sleeper Strategy 2019 – 2023" details what we know, what we are doing and what we will do to continue to improve the service we provide.

Overview of Homelessness and Rough Sleeping in Mendip, Sedgemoor, South Somerset and Somerset West and Taunton

A main homeless duty is owed where the authority is satisfied that an applicant is eligible for assistance, unintentionally homeless and falls within a specified priority need group. Statutorily homeless households are referred to as 'acceptances'.

There were 478 application decisions taken in Somerset during 2018/19. Out of these 218 were owed a homelessness duty. The most common reason for initial contact throughout the county was the loss of an assured shorthold tenancy. The main reason for priority need was having dependent children, with the remaining factors covering the main criteria for a vulnerable individual.

Of the applicants owed a main duty, 58% were aged 25-44 years of age, followed by the 16-24 years of age group, who made up 25% of the applicants. The younger bias of those in need of support is very clear.

A total 1495 prevention and relief cases presented during 2018/19. Of this, 133 were assisted to remain in their accommodation and 516 were assisted into alternative accommodation under the prevention duty (there were also another 251 that were assisted under the prevention duty but we were unable to break this down further), whilst 589 were assisted to relieve their homelessness under the relief duty.

The use of temporary accommodation has been consistently low in Somerset over the last few years; we have accommodated 120 people, in such accommodation, as of quarter 4 (January to March 2019).

As a result of the Homelessness Reduction Act 2017 (HRA) we are expecting demand for temporary accommodation to increase. This expectation stems from the fact that under this statutory provision we are obliged to help prevent an applicant becoming homeless, or relieve them of homelessness regardless of whether they are intentionally homeless. This requirement can mean that an applicant who is intentionally homeless will still need to be placed into temporary accommodation, if needed, whilst we try to relieve their homelessness during the 56 days 'relief duty'.

We are also seeing an increase in the volume of approaches and the length of time staff are working on an individual case. This increase in volumes can mean that often cases where an applicant is likely to be intentionally homeless now remain with the officer concerned, as part of their casework, until a final decision is made.

We currently have approximately 568 armed forces veterans in the county who neither own nor rent a property and who could potentially become homeless. Homeless veterans have been found on average to be older and more likely to have alcohol-related problems. In considering the needs of homeless veterans, directing them to specialist advice can be as important as meeting their accommodation needs.

Pathways to Independence (P2i) is the commissioned service that deals with youth housing in Somerset. The highest proportion of youths needing help during 2018/19 were aged between 18-21 years, with the main reason for presenting being the threat of homelessness.

Citizens Advice services remain key to supporting many of our clients – a significant proportion of whom have debt / budgeting support needs and require specialists who are trained to give advice to these individuals and in turn will support them in being financially stable moving forwards. The Local Authorities all support Citizens Advice services financially in our local areas to help prevent and relieve homelessness.

Positive Lives, which support adults with complex needs, supported 850 people during 2018. They provided other support too, such as helping 380 people to engage with education and training, 226 people to move into independent living and 47 people to gain employment.

We also saw the launch, in April 2019, of the 'Second Step' service funded by Somerset County Council which helps clients with complex needs to live fulfilling lives in their communities, thus retaining their tenancy and reducing repeated homelessness.

<u>Gypsy and Travellers</u> definition:

Excerpt definition of Gypsy and Travellers under the Housing Act 2004:

- *"Persons with a cultural tradition or nomadism or of living in a caravan and all other persons of a nomadic habit of life whatever their race or origin"*

Excerpt definition of Gypsy and Traveller accommodation assessment (GTAA) 2007 was withdrawn in Dec 2016 and has not yet been replaced, however, the updated definition in the Planning Policy for Traveller Sites 2015 excerpt:

- *"persons of nomadic habit of life whatever their race or origin"*
- However, it no longer includes those who have *"ceased travelling permanently for any reason including old age or disability"* which is a departure from the previous definition which did include those who had ceased travelling either temporarily or permanently on the grounds of old age, ill health or educational needs.

Gypsies and Travellers require a different type of housing in that they require a pitch. A pitch should allow for a static van, a touring van and have a day room. There are a number of different Gypsy and Traveller groups in our county including English / Romany Gypsies, Irish Travellers, Showmen and Others. Gypsies and Travellers do travel by the nature of their culture, however they can become homeless or be at risk of homelessness where they are either asked to leave the pitch they are on or living on land that does not have permission for a Gypsy pitch or other situations such as domestic violence. Gypsy and Travellers are not homeless simply because they live in accommodation that is moveable or impermanent nor because they travel; however, like any household who needs advice and assistance they will be supported by the homeless service in line with the Homelessness Reduction Act.

Somerset does have a number of issues regarding Gypsy and Traveller sites, with work progressing to establish transit provision and temporary stopping places. Currently the Somerset planning policy officers are seeking an update of the Gypsy and Traveller Accommodation Assessment which is due in the summer 2020. That will give both Housing officers and planning officers a better understanding of need for pitches in Somerset.

<u>Rough sleeping</u> within the county is currently a challenge in the Taunton area of Somerset West and Taunton Council, Sedgemoor and for Mendip District Council, but is at lower levels the South Somerset area. Living on the street is detrimental to mental and physical health and wellbeing. People sleeping rough develop chronic health problems and die younger and are more at risk from violence. Rough sleeping also has an impact on local residents and visitors. Any rough sleeping is a concern and we aim to find ways to alleviate, reduce and ultimately end all rough sleeping across the county. Mendip and Somerset West and Taunton District Councils have a comprehensive range of intensive interventions in place to tackle rough sleeping funded through the government Rough Sleeper Initiative funding.

In addition, there are a number of effective services already in place through existing district funding. All districts have a Severe Weather Protocol (SWEP) in place and across the County we provide a range of outreach, advice, support services and accommodation for single homeless/rough sleepers:

- Direct access beds
- Outreach
- Access to sheltered and single homeless supported accommodation
- Drop in support, advice centres and sessions in targeted locations
- Schools outreach programme to raise awareness about the risks and realities of homelessness and rough sleeping

Challenges and Gaps

The Somerset Homeless Needs Assessment identified a number of areas of concern including:

- Population projections show that the population is due to grow faster than anticipated, especially in the former Taunton Deane area and in Sedgemoor. The challenge to deliver sufficient affordable homes and to support the tenure needs of our residents will become more pressing, not less
- The gap between the local housing allowance and market rent for private lets is a significant barrier in allowing applicants to secure a private rented property because they cannot secure financial support to make the home affordable. This can force people to make a difficult choice and move away from support, e.g. to move away from their family.
- Bringing empty properties back into use is always a challenge. There is value in exploring and sharing best practice to increase the numbers brought back into use
- When assessing what housing is needed in the county we need to ensure that adequate housing is provided which is suitable and available to help prevent youth homelessness.
- In particular we need to work with enablers to encourage increased numbers of single social rented accommodation units being bought forward on developments to meet the needs of the majority of people who are seeking single unit accommodation via Homefinder
- There is a need to recognise the need for smaller units rather than larger multi-occupancy dwellings, to allow single and couples and non-priority households the ability to access housing. Working with planners to reflect housing needs in what is built could support this need.

- Educating young people whilst they are at school about homelessness, to educate them with the aim of helping alleviate future youth homelessness, although funding will need to be considered to support this
- Whilst we have been successful with cases in preventing and relieving their homelessness, we continue to seek new ways to reduce the number of people approaching us needing temporary accommodation in crisis
- The Homeless Reduction Act 2017, brought in the need to produce a Personal Housing Plan (PHP) for clients. The consultation information identifies that further work is needed to in respect of PHP and the processes and systems needed to empower and enable customers to find solutions
- Work with veterans and their families to put in place any additional protocols that could be needed to signpost to support with other factors, such as PTSD, alcohol or mental health problems which can exacerbate the situation
- We have an ageing population in Somerset, especially 85 years and older group. The future needs of older people need to rise up the agenda and more energy given to understanding their requirements and future housing options.
- Rough sleeping is a concern for all and a challenge in much of the county, in particular, due to higher numbers and complexity of need. It will continue to demand sustained focus and resource with additional interventions, strategies and coordinated partnership working. It's likely that there rough sleeping which is 'unseen', which would include sleeping in vehicles and tents hidden in rural areas. It is important that we also ensure we address reconnections robustly and swiftly.
- Feedback from the consultation events about key issues expressed the need for more suitable, affordable sustainable accommodation. To achieve this there needs to be:

    - A continued need for increased collaborative working with partnership agencies where homelessness is an issue or risk, especially to support the vulnerable and those with complex needs. Resources are limited and in many cases, different agencies hold a different part of the jigsaw
    - Continued intervention where possible to help clients to remain in their existing homes to aid the prevention of homelessness. It is well recognised that homelessness costs individuals in terms of their mental and physical health as well as the cost to their finances and local service resources
    - A review of relevant county-wide and local strategies, policies and practices to ensure they support homelessness prevention and fair access to social and affordable housing and do not discriminate against those most in need

- Consultation also highlighted concerns about vulnerable individuals with complex needs who find it hard to engage, access, navigate services and sustain accommodation without specialist support. Those with complex needs can be a concern for those with lower needs, when placed together. This necessitates a review of gaps in service provision and the identification of alternative accommodation options (e.g. housing first initiatives) alongside necessary resourcing

Priorities

It is clear from above that there are a lot of challenges to be tackled either through this strategy and actions or through the role of influencer with the wider Somerset Strategic Housing Group (SSHG). A good example of this is affordable housing. It is clear from the needs assessment that demand is greater than supply, particularly for social housing. Whilst the Homeless Managers Group can acknowledge this as a fundamental issue, their role is to influence SSHG to support the continued supply of affordable housing across the County.

No single organisation has the resources, skills or solutions needed to tackle all aspects of homelessness effectively on their own. We recognise that partnerships are integral to successful prevention and relief of homelessness and reduction in rough sleeping. Therefore, partnership working will play a large part in delivery of all priorities.

Since the adoption of the Interim Homelessness Strategy we have seen the introduction of the Homelessness Reduction Act (HRA) in April 2018. A priority for the new strategy will be to track and respond to the impacts of the Act over the term of the new strategy.

The priorities are

1. Provision of adequate affordable accommodation
2. The provision and effective use of temporary accommodation
3. Support the Government's commitment to combat rough sleeping
4. Support prevention and early intervention
5. Enable specific client groups to access suitable accommodation
6. Maintain strong working relationships across the partnerships

In the table below we have identified, using the needs assessment, some of the reasoning behind the identification of the priorities.

Priority	Why it is a priority
Provision of adequate, affordable housing stock	- There is a widening affordability gap - Population projections to 2041 show an average of 11% increase in population across the county with Taunton Deane area and Sedgemoor seeing the highest increases - There are over 2000 empty properties in the county and there is therefore an opportunity to bring properties back into use - Housing needs to be adequate and meet the needs of those needing help, for example, single units for single people and couples
The provision and effective use of temporary accommodation	- The relief duty requires housing authorities to help those that are homeless to secure accommodation - The duty lasts 56 days, during which time reasonable steps must be taken by the housing authority and the applicant to secure accommodation - We recognise that temporary accommodation is not ideal and does not fit with individual/family's housing and wider social and economic needs in relation to work, school, and support networks. It is not a long term solution and it is essential that clients are enabled to find more suitable settled accommodation as early as possible. - The steps that need to be taken are set out in Personal Housing Plans (PHP) are critical to minimising reliance on and time spent in temporary accommodation. We need to recognise that further work is needed with PHP to ensure that we empower and enable people to take responsibility for their own housing needs as much as we need to support them - There is a need to find new ways to reduce the number of people approaching needing temporary accommodation - We need to recognise the need for temporary accommodation to meet the needs of our clients, for example disabled clients needing accessible accommodation

Priority	Why it is a priority
Support the Government's commitment to combat rough sleeping	- All districts are committed to support the MHCLG commitment to combat rough sleeping - Mendip and Taunton Deane are leading the way in the work that can be done to combat rough sleeping, with a range of approaches being used - Recognition that some rough sleepers could well be former members of the Armed Forces and that their needs could be more complex and therefore there is a need to work to develop any additional protocols to signpost to the support available to the forces community such as Veterans Gateway - We need to have robust and timely reconnection policies and practices - Work to ensure there is effective and adequate emergency accommodation for rough sleepers especially during severe weather - Enhance our cold weather provision to engage rough sleepers who are otherwise hard to reach - Try to gain an understanding of the root causes of homelessness and non-engagement - Developing policies to support prevention, intervention and recovery for rough sleepers
Support prevention and early intervention	- There is a need through policy and legislative agendas to prevent homelessness, looking to improve the range of options, support and tools that can assist an individual to remain in their accommodation - There has been an increase of incidences of clients being given notice to quit – there is a need to understand why this is happening - The Homeless Reduction Act 2017 details the 'prevention duty' which places a duty the councils to make available for all who are at risk of becoming homeless, not just those that are in a 'priority need' The duty last 56 days

Priority	Why it is a priority
Enable specific client groups to access suitable accommodation	- It is not always possible for a client to remain in their current accommodation so where a move cannot be avoided, there is a need to support and empower them to access suitable accommodation that is affordable - There is a need to influence housing providers to deliver suitable accommodation that is affordable and meets local needs - We have an ageing population, especially 85 years and over – the future needs of older people need to rise up the agenda and time taken to understand their requirements and future housing options - There is a need to recognise the differing needs of a wider range of clients requiring support including young people, Gypsy and Travellers
Maintain strong working relationships across the partnerships	- The strategy cannot be delivered in isolation - There is a need to recognise effective partnership working and the benefits that can bring including sharing best practice, effective use of resources and delivery of cost savings - There is a need to ensure that there are effective accessible pathways to empower vulnerable individuals and those with complex needs such as P2i, Positive Lives and Step Together

How will we be measured?

The Homelessness and Rough Sleeper Strategy 2019 to 2023 will be implemented by each district through the Homeless Managers Group (HMG) who will be responsible for the day to day delivery of this strategy and actions contained within the action plan. HMG will monitor progress against the actions and targets at the monthly HMG meetings.

HMG will maintain close links with the Somerset Strategic Housing Officers Group who are responsible for the delivery of the Somerset Housing Strategy 2019 to 2023, in order that progress on all actions be tracked.

Each district will also have their own additional measures in place to monitor the progress of the actions relating to their district as well as performance monitoring which covers areas such as

1. Number of households helped
2. Number of households in temporary accommodation
3. Average number of nights in bed and breakfast
4. Number of rough sleepers

These measures are normally reported on a quarterly basis so, can be evaluated at each quarter to assess if there is anything that needs to be looked at in more detail or actioned in addition to the action plan itself.

Action Plan

The following actions have been developed in response to the priorities identified, with each priority having a series of actions that have bene identified. They are county-wide as a whole, although where an action is connected to a specific organisation this will be detailed.

The actions are categorised into the following Roles:

1. **Enable** – these 7 actions which HMG will enable
2. **Support** – these 5 actions where the role of the council is to support
3. **Deliver** – these 17 can be delivered directly by HMG

Each action is linked to the 6 priorities – (some actions meet multiple priorities), as a reminder the priorities are as follows:

PRIORITY 1 – Provision of adequate, affordable housing stock

PRIORITY 2 – The provision and effective use of temporary accommodation

PRIORITY 3 - Support the Government's commitment to combat Rough Sleeping

PRIORITY 4 - Support prevention and early intervention

PRIORITY 5 – Enable specific client groups to access suitable accommodation

PRIORITY 6 - Maintain strong working relationships across the partnerships

Role: Enable						
Action ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
1.1	Strengthen our relationships with registered providers and developers to increase the amount of new affordable rented and social housing provided within the county whilst maximising in particular the provision of 1 bed affordable social rented housing accommodation. (Links to action 1.6)	Ongoing	Enabling Teams & SSHG	Evidence that we have tried to influence development programmes to include increased volume of affordable and social housing Development programmes take into account identified local needs Innovative solutions are given consideration	Dec 2020 and annually	Priority 1 & 6
1.2	Share best practice to bring more private sector properties back into use to increase our success rate	October 2020	Empty homes officers/ private sector / housing standards team	Positive local case studies and best practice shared between LA teams	March 2021 & annually	Priority 1 & 4
1.3	Review the effectiveness of bond schemes to ensure they support access to the private rented sector	February 2021	HMG	Aim to increase the take up of bond schemes in private sector lettings Annual statistical report on take up of bond schemes in PRS access for homelessness applicants to monitor effectiveness of private rental access.	March 2021	Priority 1, 4, 5 & 6

Role: Enable						
Action ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
1.4	Empower clients through proactive case work and the effective use of the PHPs to manage expectations about the reality of available housing and find early solutions to their housing need and minimise time in temporary accommodation (links to actions 1.7 and 3.10)	Ongoing March 2021	Districts to commission independent review	Clients are increasingly proactive in taking steps to gain access to suitable accommodation and officers are proactively chasing and reviewing client actions. A focus on income maximisation to manage arrears and debts and encourage clients to start saving Officers are proactive in encouraging clients to take the steps in PHP and where clients do not are officers following legislation to end duties (e.g. non co-operation) Proactive timely actions by clients will result in reduced length of time in TA analysed by household type, need and age	April 2022	Priority 2, 4, 5

Page 186

Role: Enable						
Action ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
1.5	Work with partner organisations to ensure there are viable accommodation options and effective housing pathways to help new and longer term rough sleepers	Ongoing	HMG	Reviews with partners aimed at improving access to suitable accommodation More rough sleepers accessing and sustaining accommodation	October 2022	Priority 3, 5 & 6
1.6	It is essential that local strategies, policies and practices support homeless prevention and relief and are inclusive of the most vulnerable and disadvantaged clients. It is critical that they also support rapid throughput and early exit from temporary accommodation Review the Common Lettings Policy and its implementation by Registered providers, referring any issues back to Homefinder Monitoring Board for action.	September 2020 and annually	Homefinder Somerset Co-ordinator & Homefinder Monitoring Board	Relevant policies reviewed and updated to meet this objective including the "4 week" rule element of the policy. Allocations do not exclude or discriminate against any groups in relation to vulnerability and protected characteristics Undertake a review of skipping reasons initially with homeless prevention / relief clients to assess any areas for improvement / training Findings reported to the monitoring board.	December 2022	Priority 1, 2, 4, 5 & 6

Role: Enable						
Action ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
- 1.6	Contribute to county-wide discussion of need to review the Somerset Tenancy Strategy and any subsequent in house or commissioning of independent review of the Tenancy strategy (links to actions 1.1 & 2.1)	September 2022	SSHG / Enabling teams (Homefinder Somerset Co-ordinator/ HMG/)	HMG participation in relevant activities to Tenancy Strategy Review such as discussions, scoping, commissioning of review, involvement or input into project	December 2022	(As above)
1.7	Review Housing Options Teams' practice and processes to ensure efficient, effective and high quality including: -Quality/ timeliness of advice -PHPs tailored to clients' needs -Proactive and timely casework triage process to ensure clients presenting to other agencies can easily be referred to avoid duplication -Explore systems in place with partners to improve the client journey & reduce the number of duplicated contacts/ assessments (links to 1.4 &3.10)	March 2021	Districts to commission independent review	Independent Review commissioned. Process improvements identified and in place Best practice in PHPs and general identified and shared across HMG Learning put into practice and shared through HMG Improved effectiveness of information sharing and protocols Discussions with partners to explore streamlining duplicate processes	May 2022	Priority 4 & 6

Role: Support						
Action ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
2.1	Work with P2i to look at the types of accommodation that are needed for dealing with youth homelessness and where these dwellings would be best located. Link to review of Homefinder Common lettings policy to ensure it supports timely move on (links to action 1.6 and also 1.1 in. terms of influencing enablers and developers to deliver shared and 1 bed accommodation and consider innovative accommodation)	Ongoing September 2020 &annually	HMG / P2i board Homefinder Somerset Co-ordinator & Homefinder Monitoring Board	Continually monitor the effectiveness of P2i for homeless clients in conjunction with the Homefinder policy including: Analysis of feedback from clients Numbers of successful move-on from P2i accommodation within 9 months of P2i tenancy start date. Monitor success of move on from P2i accommodation, accommodation type and length of time to move on from "ready to move on date"	Septembe r 2021 December 2022	Priority 1, 4, 5 & 6

Page 188

Role: Support						
Action ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
2.2	Monitor the impact of Hinkley Point C (HPC) development on the private rented sector and housing markets, making links to any changes to homelessness being reported, especially as peak construction is approaching	Ongoing	SDC/ SWT/ HMG	SDC and SWT to monitor rental and house price data and availability and, as far as we able, displacement of the local population. Evidence of mitigating actions: -Deliver small family and single persons accommodation through empty homes activity, lodgings and enabling schemes -Target schemes for move-on from Temporary Accommodation -Support local landlords through the use of bonds, rent-in-advance, landlord and tenant accreditation schemes, to prevent displacement -Safeguard tenancies through work with HMRC and DWP around inflated rents for Hinkley workers and non-declared tax	September 2020 and annually until 2022	Priority 1 & 6

Role: Support						
Action ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
2.3	Identify support schemes across the county and work in partnership with providers and other key support agencies to ensure the most vulnerable and complex needs clients can -access suitable accommodation effectively - sustain accommodation - respond quickly to escalation of support needs and risks which in turn could lead to tenancy failure	July 2020	HMG	Improved timescales and customer journey to access suitable accommodation Support schemes are utilised appropriately to enable access Statutory agencies and provider organisations have clear effective information sharing and joint working protocols to enable individuals with complex needs to access, settle into and sustain accommodation, with fast track support escalation processes in place to prevent failure once support has reduced/ended	July 2021	Priority 3, 4, 5 & 6
2.4	Explore funding opportunities where they don't exist to enable young people to be educated in school regarding homelessness to try and help alleviate youth homelessness	July 2021	HMG	Districts to consider funding opportunities where "schools" work is currently not funded.	July 2021	Priority 3, 4, 5 & 6

Page 190

Role: Support						
Action ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
2.5	Work with DWP to increase advice and opportunities to our customers to maximise income and skills	September 2020	HMG	Explore opportunities to build links with DWP to train and support our staff on options available to customers to maximise their income / skills	September 2021	Priority 4, 5 & 6

Role: Deliver						
Action Ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
3.1	Look at the vacancies that have arisen on Homefinder for social housing supported accommodation for older people which have been difficult to let to try and establish the reasons why and look at what is needed to ensure that this accommodation is desirable to older persons	June 2021	Homefinder co-ordinator	Statistical Homefinder Somerset report reviewed by HMG Evidence of work with landlords to establish reasons for hard to let sheltered properties and potential solutions	December 2021 and 2022	Priority 1, 5 & 6

Role: Deliver						
Action Ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
3.2	Regularly review local provision of temporary accommodation to ensure it is has capacity to meet demand and needs in terms of size and accessibility	December 2020 and annually	Districts	Statistical review of demand compared to provision including household needs and size/flexibility of provision Where relevant, plans in place with accommodation providers to address gaps	March 2022	Priority 2 & 6
3.3	Continue to monitor the extent of rough sleeping at a frequency appropriate to local need, daily if required, so that swift action can be taken when new rough sleepers are identified	Ongoing	HMG/ Districts	Systems in place to monitor numbers and respond to new rough sleepers at a frequency relevant to each district's needs HMG to review statistics quarterly	December 2020 and annually	Priority 3
3.4	Where appropriate review and share reconnection success & best practice in order to strengthen reconnection policy and practice	September 2020	Districts/HMG	Local practices reviewed and improved in light of identified successful reconnections across districts	December 2020	Priority 3

Role: Deliver						
Action Ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
3.6	Identify organisations and groups inadvertently sustaining rough sleeping and begging. Help them to understand the issues and work together to create a consistent approach	October 2020	Districts	Range of communications with organisations which helps their understanding of the issues and the approach of services tackling rough sleeping. Where possible and relevant, seek opportunities for working together with key services identified and consider countywide diverted giving scheme.	March 2021	Priority 3 & 6
3.7	Review opportunities presented through severe weather provision to engage rough sleepers who are reluctant to accept services	Ongoing and seasonal	Districts	Agreed partnership approach in advance of cold weather to engage and support all individuals Increased engagement of rough sleepers as a result of SWEP contact	April 2021	Priority 3 & 6

Role: Deliver						
Action Ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
3.8	Continuously monitor, review and develop our existing rough sleeper interventions to optimise their effectiveness	Ongoing	Districts	Evidence of regular review of what works to develop our local approaches Statistics and feedback demonstrate positive impact of interventions	April 2022	Priority 3 & 6
3.9	Ensure practice focuses on prevention, early intervention/reconnection and recovery for rough sleepers	December 2020 and annually	Districts	Local practices reviewed in light of national and local rough sleeper strategy priorities	April 2022	Priority 3 & 6
3.10	Making use of intelligence from HCLIC data, identify what works well and the extent to which teams prioritise early intervention homelessness prevention to get the best outcomes (links to actions 1.7 & 1.4)	Ongoing March 2021	Districts to commission independent review	Quarterly casework and statistical reviews Independent review of services is commissioned in each district Quality of casework & outcomes achieved.	May 2022	Priority 4

Page 194

Role: Deliver						
Action Ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
3.11	Review collection and analysis of information from applicants and landlords on reasons for the issue of notice to quits, to inform how we can help the landlords to prevent evictions and to keep the properties in the private rented market in the future	December 2020	Districts & Private sector housing teams	Consider engagement with landlords via district private sector housing forums to encourage early notification at prevention stage to help reduce notices and evictions from private sector housing tenancies Monitor proportional reduction in number of evictions from PR Sector.	Review findings and undertake actions identified 2021/22	Priority 4 & 6
3.12	Monitor effectiveness of all homeless prevention initiatives and schemes and ensure we deliver 'value for money'.	March annually	Districts and HMG	Conduct annual review of funded service delivery partnerships and schemes, ensuring schemes offer VFM and are effectively preventing and relieving homelessness. Continually share best practice between LAs.	March 2022	Priority 4 & 6

Role: Deliver						
Action Ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
3.13	Consider joint training opportunities for staff to upskill to continuously improve our service delivery including high quality Personal Housing Plans (PHP) and trauma informed practice at triage stage	September 2021	HMG	Range of joint training opportunities e.g. shadowing (across districts), good practice sharing workshop, tailored locally delivered training.	December 2021	Priority 3, 4, 6
3.14	Monitor the incidence of clients with mental health needs without dual diagnosis unable to access services due to their high needs. If there is evidence of unmet need in this respect, ask Somerset County Council commissioners to review provision to ensure they can meet identified local needs	End June 2020	HMG	Review of referrals made and outcomes feeding back to SCC commissioners via HMG.	October 2020	Priority 5 & 6
3.15	Review the demands & needs of armed forces veterans to enable us to consider how we continue to work with veterans and where they can be directed for additional support	December 2021	HMG	Review undertaken by HMG	April 2022	Priority 5

Role: Deliver						
Action Ref no.	**Action**	**Timescale**	**Responsibility**	**Measure**	**Review date**	**Links to Priority**
3.16	Review the outcomes of the use of the hospital discharge worker in South Somerset and explore opportunities to roll out any best practice from this pilot	June 2021	HMG	Service outcomes and best practice reviewed	September 2022	Priority 4, 5 & 6
3.17	Review the outcomes of the use of a drug and alcohol worker in South Somerset and explore opportunities to roll out any best practice from this pilot	July 2021	HMG	Service outcomes and best practice reviewed	March 2022	Priority 4 & 5

APPENDIX 3

Somerset Equality Impact Assessment			
Before completing this EIA please ensure you have read the EIA guidance notes – available from your Equality Officer			
Organisation prepared for	**4 Councils in Somerset including Mendip DC, Sedgemoor DC, South Somerset DC and Somerset West and Taunton Council**		
Version	**V1**	**Date Completed**	**November 2019**
Description of what is being impact assessed			
Somerset Homelessness and Rough Sleeper Strategy 2019 to 2023			
Evidence			
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			
Somerset Homelessness and Rough Sleeper needs assessment 2019 The assessment outlines the extent of homelessness and rough sleeping across Somerset at district authority level, evaluating existing provision and identifying gaps in provision Main points: • South Somerset is the largest district geographically			

- Sedgemoor is expected to experience the largest population change
- As at date of needs assessment (June 2019) there were 8795 people currently expressing a need for affordable housing, with one bedroom accommodation the most in demand, especially in Taunton Deane
- The highest age prevalence is in the age range 25-59, except West Somerset, where the highest age group is 45-59 and 65-74.
- In Taunton there is a slightly higher proportion of 25-44 year olds
- In West Somerset 42% are 60 year or over, compared to 33% for Somerset as a whole
- To afford to buy a home in Somerset would require 7.6 time their earnings, although there is wide disparity in affordability across the Somerset districts. The highest ratio is in Mendip and West Somerset where in 2017 a household would have required more than 10 times their earnings to afford a home. Sedgemoor has also seen a sharp ratio increase
- There is a widening gap in affordability to rent, with median monthly rent accounting for an average of 36% of gross monthly pay, an increase since 2015
- In all districts the highest need is for social rented dwellings which account for 70-80% of overall need
- Taunton Deane has the highest combined number of 'Gold' and emergency need households, followed by South Somerset
- There are 2041 (October 2018) long term vacant dwellings in Somerset
- In 2018/19 indicative figures indicate that the districts delivered the following number of affordable homes
  1. Mendip – 100
  2. Sedgemoor – 130
  3. South Somerset – 122
  4. Taunton Deane – 218
  5. West Somerset – 3
- The outcome of homeless applications can be seen as follows

	Mendip	Sedgemoor	South Somerset	Somerset West and Taunton
Eligible, unintentionally homeless and is priority need	10	84	83	62
Eligible, homeless, in priority need but intentionally homeless	4	7	9	0

Eligible, homeless but not in priority need	18	38	25	7
Eligible but not homeless	2	14	2	2
Lost contact prior to assessment	2	3	0	0
Withdrew prior to assessment	1	0	1	89
Not eligible for assistance	0	1	4	10
Total	37	147	124	170

- There are a number of reasons why an individual contacts the local authority with a threat of Homelessness, including
  1. Loss of Assured Shorthold Tenancy
  2. Family no longer able/willing to accommodate
  3. Non-violent breakdown in relationship
  4. Domestic abuse
- In 2018/19 the following number of applicants were accepted by the Somerset local authorities as homeless and in priority need:
  1. Mendip - 10
  2. Sedgemoor – 84
  3. South Somerset – 80
  4. Taunton Deane and West Somerset – 41
- Priority need groups include:
  1. Households with dependent children
  2. Pregnant women
  3. People who are ‘vulnerable’ in some way, e.g. because of mental illness and physical disability
  4. Aged 16-17
  5. Aged 18 to 20 who were previously in care
  6. Vulnerable as a result of time spent in care, in custody, or in HM Forces
  7. Vulnerable as a result of having to flee their home because of violence or the threat of violence
- The main reason for priority need is having dependent children
- 55% of applicants who are owed a main housing duty are aged 25-44

- 16-24 year old, who disproportionately make up 25% of the applicants
- Using MOD data from 2017, they estimated that 49,000 veterans live in Somerset of which 75.64% own a house, 23.19% rent a property. The balance, 1.17% (568) would imply are potentially homeless
- P2i is a multi-agency homelessness prevention service for young people aged 16-25 who reside in or have a local connection to the Somerset area. The age demographic for P2i as at 28/3/19 is as follows:

	16/17	**18/21**	**22 and over**
Mendip	4	30	5
Sedgemoor	10	19	9
South Somerset	5	17	9
West Somerset and Taunton	2	22	12
Total	21	88	35

- There 2 predominant reasons why the P2i service is contacted and they are threatened with homelessness (71.6%) and Homeless tonight (25.2%).
- Positive lives is a multi-agency, cross sector alliance, which delivers creative solutions for entrenched adults with complex needs. Over the past year Positive Lives have
  - Supported 850 people
  - Supported 400 people at any one time
  - 380 people engaged in education and training
  - 266 people moved into independent living
  - 47 people obtained employment
  - 38 very vulnerable/high risk people moved into independent living
  - 20 people engaged in formal volunteering as a preparation for work
  - 262 people from local communities have provided voluntary support
- Step together commissioned by SCC for adults in Somerset who are homeless or at risk of homelessness and also have a mix of mental health needs, drug and alcohol problems, behavioural issues, debt or have been involved in the criminal justice system

- Rough sleeping – based a single snapshot in autumn every year using street counts and intelligence drive estimates, in 2018 the following numbers were the extent of rough sleeping:
  Mendip 14 Sedgemoor 3 South Somerset 3 Taunton Deane 14 West Somerset

Initial assessment of statutory homelessness duties owed – ethnicity- January to March 2019

	Total owed a duty	White British	White Irish	White Gypsy and Traveller	White Other	Black, African Caribbean	Asian	Mixed	Other	Unknown
SDC	155	134	3	2	9	1	2			4
SSDC	127	115			8		3		1	
MDC	236	199	3	2	10	1		3	2	16
Taunton	149	128		1	7	3	7	1	1	1
West Somerset	35	33				2				

Priority need category of households owed a main duty by LA – January to March 2019

	Total	HH with dependent children	HH with pregnant women	Total Vulnerable household	Old Age	Physical, ill health	Mental Health	Young	Other
SDC	26	19	0	7	0	3	2	0	0
MDC	2								
Taunton	7	4	0	3	0	1	1	0	1
West Somerset	2								
SSDC	19	12	3	4	0	1	1	0	1

Rough Sleeping by age, nationality and gender – January to March 2019

	Total	UK	EU	Non EU	Not known	Under 18	18-25	26 and over	Not known	Male	Female
SDC	3	1	1	0	1			3		3	
MDC	14	11	2	1	0			13	1	9	5
SSDC	3	3						3		3	
Taunton	14	13	1				1	12	1	14	
West Somerset	2	2						2		2	

Somerset Homelessness and Rough Sleeper Strategy 2019 to 2023

Priorities

Priority One – Provision of adequate, affordable housing stock

Priority Two – Support clients to remain in their existing accommodation where appropriate

Priority Three – Support specific client groups to access suitable accommodation through effective support

Priority Four – Support the government's commitment to combat rough sleeping

Priority Five – Maintain strong working relationships across the partnership

Priority Six – Track and respond to the impacts of the Homelessness Reduction Act 2017

Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?

1. A homelessness survey was available throughout November and December 2018. The survey was sent to a sample of homeless applicants and all stakeholders.
2. Responses received by districts is as follows:

District	Applicants	Stakeholders
Mendip	7	32
Sedgemoor	12	22
South Somerset	11	12
Taunton Deane	11	4
West Somerset	2	3
Total	**43**	**73**

3. Feedback
   - More work is needed with applicants on how to improve Personalised Housing Plans (PHP), as only 10 found them useful and referred to them again
   - Temporary accommodation not always suitable for client’s needs, including disability
   - Stakeholders were asked how relevant a number of issues were to them in their role. The top 2 were housing options for single, non-priority households and the occurrence of rough sleeping. Other issues include:
     - Community outreach to prevent homelessness
     - Adequate suitable temporary accommodation
     - Difficulty assessing the private rented sector
     - Housing options for people with disabilities

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
Age	• Age is captured on all homeless and housing need customers • There no evidence that those in any age group are disadvantaged in their access to the service or housing assistance • The needs assessment (June 2019)58% of applicants owed a main duty were aged 25-44 • 25% of the applicants were 16-24 years old • The highest proportion of youths needing help in 2018/19 were aged 18 to 21 years old with the main reason for presenting being the threat of homelessness • P2i works to prevent youth homelessness for the age 16 to 25. In 2018 21 16/17 year olds, 88 18/21 year olds and 35 22 and over used the service • West Somerset in particular has a significant over 60 year old population with 42% over 60 in comparison to 33% for Somerset as a whole • In 2018/19 there were 14 households accepted as owed a mina homelessness duty who were over 60	☐	☐	☒

	• For the period January to March 2019, of the 36 identified as rough sleeping, the majority were over 26, with only 1 between 18 and 25			
Disability	• Positive lives is a multi-agency, cross sector alliance, championing a new approach for the most entrenched adults with complex needs. The project has supported 850 people during 2018 • Step Together is a new support service (2019) for adults who are homeless or are at risk of homelessness and have a mixture of mental health needs, drug and alcohol problems, behavioural issues. • Finding suitable temporary accommodation for people with disabilities is an issue • For the period January to March 2019 who are in priority need owed a main duty by the LA, of the 56, 5 had physical disabilities and 4 had Mental Health issues. It is unclear whether any of these had both a physical and a mental health issue. • The term mental health covers a wider spectrum of conditions and it is unclear when the term is used what sort of mental illness the client is suffering from	☐	☒	☐
Gender reassignment	• We have no evidence to suggest that applicants from this group are disadvantaged in any way by the strategy • They may be at risk of homelessness arising from transphobic reactions, Hate Crime and harassment by family, neighbours or members of local communities	☐	☐	☐

Marriage and civil partnership	• Applicants are not disadvantaged by either being married or on a civil partnership or not when accessing affordable housing on terms of the housing register or homelessness/homeless prevention services • Registered civil partners have the same rights as married heterosexual spouses in relation to proper	☐	☐	☒
Pregnancy and maternity	• Since the 1st April 2004, it has been unlawful for local authorities to house families with children and pregnant women in bed and breakfast accommodation for more 6 weeks, which has out increased pressure on the housing system • Of the 56 in priority need where owed a main duty by local authority, for the period January to March 2019, 3 were pregnant	☐	☐	☒
Race and ethnicity	• Gypsy and Traveller communities; Romany Gypsies and Irish Travellers a recognised ethnic categories within the Equality Act 2010 • The GTAA in 2013 identified pitch, transit and showpeople yards. At the present time, there is no transit facility in Somerset although there is work being undertaken to see if at least one site can be got off the ground in 2020. Unauthorised encampments of Gypsy and Travellers has increased over the past 18 months with particular areas vulnerable to returning encampments including Sedgemoor and Taunton Deane • Currently due to the above there is no potential provision for Gypsy's and Travellers should they become homeless in the majority of Somerset	☐	☒	☐

	• Using ONS Local Area Migration Indicators for 2018, Somerset population totals 546,000, with Non UK born population approximately 7.9% (about 43,000) • Based on the H-CLIC data for January to March 2019, of the 702 for that period where an initial assessment of statutory duty owed, 10.3% were from nationalities other White British. • Of the 702, 0.7% with from Gypsy and Traveller origins and determining housing requirements for them will be needed as they have their own culture. • In respect of rough sleeping for the period January to March 2019, of the 36 rough sleepers in the County, approximately 14% were from either the EU or non EU country • Language barriers and lack of understanding of the housing system are potential challenges in accessing support			
Religion or belief	• There is no evidence to suggest that applicants from this group are disadvantaged in anyway by the strategy • Assessment of need and Personal Housing Plans should take account of specific beliefs and religion • Setting the Local Housing Allowance at 30% of the rate of private rents in the area, and not having an LHA for more than 4 bedrooms, could therefore disproportionately affect some religious groups who may multi-generational/larger families living in one property	☐	☒	☐
Sex (gender)	• Providing comprehensive advice services across all tenures will benefit women, especially those at risk of domestic abuse and who could be at risk through the impact of welfare reform • Since 1st April 2004, it has been unlawful for local authorities to house families with children and pregnant women in bed and	☐	☐	☒

	breakfast accommodation for more than six weeks, which has put increased pressure on the housing system • For the period January to March 2019, of the 36 rough sleepers in Somerset, approximately 85% are male and 15% female, with Mendip and Taunton Deane having the highest percentage of rough sleepers • Programmes are in place to support vulnerable adults including Positive Lives and the new service from April 2019, Step Together.			
Sexual orientation	• Assessments of need and Personal Housing Plans may be a suitable way to determine what types of dwellings are required which could include location and neighbourhood to avoid harassment or discrimination • In a survey with LGBT young people in Somerset, 85% of the respondents indicated that they had either been bullied, witness bullying or both with 86% had experienced verbal abuse	☐	☒	☐
Armed Forces Veterans	• 568 Armed Forces Veterans who neither own or rent a property and who could potentially become homeless. • Homeless veterans tend to be older and more likely to have alcohol-related problems • Other factors that could contribute to homelessness amongst single veterans include their experience of service, including unfamiliarity with civilian life, making it difficult to secure housing and to manage tenancies	☒	☐	☐

Rurality	• Somerset is a rural county with South Somerset the largest geographically • Rough sleepers may well go unseen due to the rural nature of the county • Transport is a significant issue for Somerset and can lead to isolation in some of the more rural areas of the county • In census 2011 around 10% of White British households in Somerset do not access to a car, compared to 15-16% of all other ethnic groups • Internet connectivity is an issue in a number of rural communities which can impact on people being to access services as they go increasingly online		x	

Negative outcomes action plan
+Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Plea

se detail below the actions that you intend to take.

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
Make sure that the housing system can record information about race	Select date			☐
Provide yearly District specific reports on race from the housing system to establish if there are any trends or issues	Select date			☐
Work with Planning Policy Group to make sure there is appropriate resource available for the Gypsy Traveller community that may become homeless	Select date			☐

Work with planning teams, housing enabling teams and Developers to deliver smaller and more financially accessible accommodation to meet the needs of young people.	Select date			☐
Work with Housing Associations to make sure processes are in places to quickly and efficiently provide accessible accommodation when required for when disabled people become homeless.	Select date			☐
Complete research into the needs of physical and learning disabilities to understand the potential impact of becoming homeless on this group.	Select date			☐
When reviewing the Commons Letting Policy confirm how victims of hate crime in Social Housing will be supported to retain accommodation	Select date			☐
	Select date			☐

If negative impacts remain, please provide an explanation below.

Completed by:	**SEOG members AF/TR**
Date	**16/12/19**
Signed off by:	
Date	

Equality Lead/Manager sign off date:	
To be reviewed by: (officer name)	
Review date:	

Report Number: SWT 39/20

Somerset West and Taunton Council

Executive – 10 February 2020

The Future of Local Government in Somerset

This matter is the responsibility of the Leader of the Council

Report Author: James Hassett, Chief Executive

1.0 Executive Summary / Purpose of the Report

1.1 Members will be aware that the Leader of Somerset County Council has stated that he wishes to pursue the option of a single Unitary Council for Somerset. This Report sets out the work conducted to date, looking at the options for the future of local government in Somerset, and suggests an option of further collaboration and integration as being the preferred option moving forward.

2.0 Recommendations

2.1 The Executive recommends to Council that:

1. A full business case be prepared, which fully explores Option 2 (Collaboration and Integration), being the preferred way forward at this time. This business case should come back to Executive in July 2020, along with clear recommendations and a delivery plan.

2. A joint Project Board be created, with the Leader of the Council being the representative from Somerset West and Taunton Council, to oversee the work during the next stage.

3. Option 2 – Collaboration and Integration, as Somerset West and Taunton Council's current preferred option for the future of local government in Somerset to take forward through community consultation and engagement.

4. It notes that in the best interests of the communities and residents of the District, the Council will continue to work with colleagues across all tiers of local government and public service in Somerset

3.0 Risk Assessment

3.1 A risk assessment will be considered in the development of the detailed Business Case.

4.0 Background and Full details of the Report

4.1 The debate about the best form of local government in Somerset has been ongoing for a number of years. In the last 30 years various forms of Unitary Government have twice been proposed, most recently in 2006 when an initiative to create one Unitary Council for the whole of Somerset did not win the backing of Government.

4.2 The issues that drove that debate, however, have not gone away. Over the past eighteen months the 5 Councils of Somerset have been exploring together the best way to address the challenges we face, and, under the banner of Future of Local Government in Somerset (FoLGiS) we have commissioned research into the options for the future. The aim has not been to simply cut costs, the intention has been to find a way, through the better use of our resources, to sustain vital services now and for the future whilst also dealing with some of the big challenges Somerset and its communities face.

4.3 Based on a collective view of the financial challenges that we face, the growing demand pressures for services likely to stem from a growing and aging population, and the opportunities inherent in a relatively low level of collaboration and sharing in the past, we concluded that change needs to happen to ensure that we do the best we can for the communities of Somerset and for local government to be financially sustainable.

4.4 We have considered the impact on our services and communities of continuing on the current path and concluded that "no change is not an option". The only real question is what changes do we need to make and when shall we do it? The high level options report on the Future of Local Government in Somerset stated: "We are now convinced that staying purely to our own paths is not an option. We can collectively do better"…. "Continuing 'as is' is not a sustainable long-term strategy. Service needs across Somerset are evolving, demand is increasing, and a new collaborative delivery strategy is needed"

4.5 This Report aims to summarise and make plain the main points of the research that the five Councils of Somerset commissioned, to enable an informed choice to be made. Prior to the 2019 local government District Council elections a way forward based on deeper collaboration and integration rather than reorganisation had been preferred, but it is recognised that changes have taken place in the political landscape since that time.

4.6 Although the FOLGIS work was commissioned by all five Councils, more recently Somerset County Council has stated that it believes a Unitary approach is their preferred way forward. This is not a position that is currently shared by the District Councils. With growing momentum at a national level for local government reorganisation and a report indicating that savings and improvements are available to the Councils, "no change" is undesirable for all Councils. Unless the District councils of Somerset grasp the opportunity to shape that change and fully commit our organisations to it, we risk being subject to change designed by others who do not understand Somerset and its communities as well.

4.7 It is the case that the District Councils recognise change is needed. However, it is believed that the best way to deliver real, lasting and effective change is to simply get on with it, by working more collaboratively immediately. Long protracted and costly Unitary proposals, whilst looking potentially attractive in financial savings terms, have a much longer period for delivery, not to mention the organisational turmoil that this approach creates.

4.8 They take the "local" out of local government by moving decisions and the decision makers further away from the communities that they are there to serve. Not only is this form of local government further away from people and communities, it causes "lost years" to communities as staff of councils focus on changing structures and how it affects them, with less focus on dealing with the challenges faced by the communities they are there to serve.

4.9 Abolishing five councils and setting up a new one costs a substantial amount of tax payer's money. The District Councils believe that this money, our residents' money, would be better spent on the communities of Somerset, not on "rearranging the deckchairs"

5.0 The Options for Change

5.1 To help focus on the specific ways forward this part of the Report draws on the research undertaken by the consortium of Ignite, Collaborate, Pixel Finance and De Montfort University. This Report, "Future of Local Government in Somerset" (FoLGiS) and subsequent work completed by the Somerset Internal Consultancy Team, has been circulated to Members previously. The FoLGiS research identifies a number of options setting out possibilities for different configurations of Unitary Councils as well as alternatives for closer collaboration, rather than structural changes.

5.2 It should be noted that the options research is high level and does not represent a business case for any options. It was intended to inform a discussion with a view to an option being selected to be developed into a more detailed business case.

The 7 options in the FoLGiS report

Option 1 – 'As Is'

5.3 It should be noted that this is not a "no change option." Improvements and savings would continue to be delivered in individual Councils, however this option does mean that there would be a continuation of the current arrangements across Somerset (no specific changes to the way we work, the way we deliver services collectively across Somerset, or the way we are structured). We would continue to have the existing County, 4 Districts, and the Town and Parish Councils,

5.4 The savings delivered would be the sum of those currently being pursued by the individual Councils through their independent change and transformation plans which differ in nature and focus.

5.5 The collective view, based on the predicted pressures on services and budgets into the future, is that this is not an adequate option for Somerset as a whole. The challenges for our communities and services (set out in Part 1 of this Report) are too great, and the opportunities, too good to miss. If we want to improve the outcomes for our communities then we need to change, it is just a matter of how and when.

Option 2 – The Collaboration & Integration option, referred to as 'Get Fit + Sharing'

5.6 This means that each of the 4 District Councils, and Somerset County Council would remain as sovereign and independent legal authorities. They would at first work to deliver efficiencies individually, but in a co-ordinated way, with the aim of joining together services, strategic outcomes and initiatives to deliver efficiencies as quickly as possible. Individual savings plans would be pursued, based on a set of principles and standards which are agreed across all Councils. Joint work would then be pursued in the following areas:

5.7 **A single strategy** – aligning and joining up our strategies and action plans across the Councils. This could, for example, be things like one Local Plan for the whole of Somerset, one Economic Development Strategy, one commercial strategy, one procurement strategy, one approach to working with older people across the County, or with troubled families, or joining together local preventative services with better ways of working with people with high needs.

5.8 **Shared support services** - this could mean joining together all the back-office functions of the Councils, such as HR, ICT and finance functions, for example, to maximise use of back office and internal support resources across organisations. Different councils might lead on the provision of a particular service. To maximise savings and for this option to be competitive with other Unitary options, Councils would have to make a commitment to share these services extensively and for a significant period of time.

5.9 **Joint locality working** - a joined-up approach to dealing with our customers, service users and residents. An example of this would be one aligned way of delivering Customer Hubs/Customer Contact Points, delivering services on behalf of all Councils in one place as well as integrated teams at a local level working with communities and groups to get better outcomes and reduce demand.

5.10 This would lead to financial savings and therefore would free up much needed money for frontline services and for changing the way we work.

5.11 This option is predicted to save up to £32m per annum (pa) in the first phase with a further £16m pa to follow. Savings could start to be realised within a year and continue over a three-year period

Option 3a – One new Council for Somerset

5.12 This option would mean that one new (unitary) Council across the whole of Somerset would replace all the Districts and the existing County Council. Town and Parish Councils would remain. It would mean a reduction in the number of elected Members across the County. (from 266 to circa 100-125). The FOLGIS report envisages that working at a local level would take place under newly constituted Area Boards, who would have powers and responsibilities, to be determined, delegated to them.

5.13 This option is estimated to deliver savings of up to £47m pa.

5.14 It would take longer to pay back the investment necessary compared to Option 2 and savings would realistically start to be realised within 3 to 5 years as typically, the journey to Unitary government takes 2 to 3 years to achieve from the point an area decides to embark upon it.

Option 3b – Two new Councils for Somerset (North/South)

5.15 This option would follow the same path as Option 3a above and with the same features - abolishing the existing County Council and the 4 Districts, and creating two new councils; one being the amalgamation of Bath & North East Somerset Council (B&NES) and North Somerset Councils, and the other, a new Council for the existing County Council area. It would mean a reduction in the number of elected Members too as in Option 3a above. Town and parish councils would remain under this Option and Area Boards may also feature.

5.16 The time taken to get to benefit would be the same as Option 3a above with savings taking 3 to 5 years to start to be realised.

5.17 This option is estimated to save up to £80m pa (a big increase over Option 3a, but based on an extended geography with two other, existing Unitary Councils combining together)

Option 3c – Two new Councils for Somerset (East/West)

5.18 In this Option, two new councils for Somerset replace the existing County Council, all the District Councils and two unitaries to the north of the current County Council area. The two Councils would therefore be:

- to the east, B&NES, Mendip and South Somerset, and
- to the west, North Somerset, Sedgemoor, and Somerset West and Taunton.

Town and Parish Councils would remain.

5.19 This option is also estimated to deliver the same savings of up to £80m pa, in the same time frame as Option 3b beginning in 3-5 years

Option 3d – Three new Councils for Somerset

5.20 This Option creates three new councils replacing the County, Districts and two existing unitaries. The areas are proposed as incorporating all the Councils in the what is referred to as the ceremonial or geographic County, Hence:

- Council 1 – B&NES and Mendip
- Council 2 – North Somerset & Sedgemoor
- Council 3 – South Somerset, Somerset West & Taunton

5.21 Member numbers would reduce across Somerset from 381 to lower levels than Options 3a-c above. The three new councils would delegate authority to Area Boards to support locality-based working and the benefits are estimated to be the same as those for the two council options, up to £80m pa beginning in 3-5 years.

Option 4 - A New Way of Working

5.22 This option is not described in great detail and it is not seen as being achievable immediately. One of the Options above would need to be delivered first to pave the way for the kind of work underway in Greater Manchester and potentially involving the creation of new organisations at 3 levels:

a) Pan-Somerset entity (similar to that of a Combined Authority (with or without a mayor).
b) "Super locality" councils (based on the current four District Council boundaries)
c) Town and Parish councils.

5.23 In this Option the County Council would no longer exist and the “Super localities” would run scaled services at a local level. The Pan Somerset entity would run and coordinate services at a larger scale such as Transport, Planning, and integrated services with the NHS.

5.24 For ease, the table below shows the potential financial costs and benefits from each option.

Number	Option	Savings (up to) *	Implementation Costs	Payback Start	Payback Duration
1	“As is”	As individual targets	As individual plans	Now	As per individual MTRS
2 & 4	“Get fit” and share, and then new approach	£32m + £16m	£80m	1 Year 3 Years	2 Years 4 Years
3a	1 Unitary	£47m	£82m	3 – 5 Years	3 Years
3b or c	2 Unitary	£80m	£111m	3 – 5 Years	3 Years
3d	3 Unitary	£80m	£111m	3 – 5 Years	3 Years

* It is important to recognise that these potential savings are estimates derived from ‘typical’ savings levels as a percentage of current spend, and the cost of change has similarly been estimated based on estimates and experience from elsewhere.

5.25 Finance Officers from the Councils have reviewed the estimates and indicated their satisfaction with this methodology as far as it goes. However, these estimates do not represent a business case and were not intended to do so. The Options research was intended to inform a discussion and enable selection of a preferred option to be investigated in more detail. Indeed since the work was originally commissioned all the District Councils have continued to deliver savings and efficiencies through their own transformation programmes.

5.26 It is essential that before commitment is made to any one Option that the figures are explored more fully through the development of a detailed business case. The next part of this work could be to fully explore the preferred Option and to build a business case for the change, that better reflects the specific elements of the chosen Option and therefore the potential savings.

6.0 The Preferred option of the District Councils

6.1 Having considered the FoLGiS Report, the Leaders and Chief Executives of the District Councils are agreed in principle that Option 2 is preferred on the basis that:
a) The savings are comparable to other “reorganisation” options,
b) The time to benefit is faster i.e. savings and community benefits can start to be delivered within the first year,
c) It is less disruptive than other options and therefore less likely to detract from dealing with the important issues facing our communities and
d) Work can begin now to deliver a new approach to local government without the uncertainty and division inherent in the creation of one, two or three Unitary Councils.

6.2 However, the District Councils are fully aware that the collaborative, non-structural, Option is not the easy option. This is not about loose partnerships and sharing of a few services. Instead, it requires a deeper level of collaboration at a strategic and service delivery level that will lead to an integration of the four District councils of Somerset, and should they accept the invitation, the County Council too, whilst retaining them as independent democratic and legal authorities. Their systems, buildings, ways of working would become closely integrated.

6.3 This is a big change to the way local government currently works in Somerset. It is unfortunate that at this time, Somerset County Council no longer wish to progress this Option alongside the Districts, and it is certainly the case that more efficiencies and greater community impacts can be achieved with them being part of this work.

What might Option 2 “Collaboration and Integration” look like?

6.4 Exactly what Option 2 would look like would need to be determined by the four District councils through the business case research and development, and in the detailed implementation process. However, for the purposes of illustration, the bullets below set out what Option 2 could look like and the sort of things that might happen:

a) **One set of strategies & strategic outcomes** – this might involve having one Strategic Plan for Somerset, one development plan, one economic strategy etc, building on the approach already in place for some key strategic areas such as the Somerset Housing Strategy and the Somerset Climate Change Strategy.

Each plan would be developed and adopted by all councils. It might include specific chapters on each district area or even subdivisions of districts to take account of local community differences of need. This would ensure a unity of purpose between the councils at a strategic and operational level and support collaboration and sharing of resources in dealing with the opportunities and challenges within Somerset. It would also give Somerset the advantage of a unified voice when dealing with the Heart of the South West (HoSW) Joint Committee and Local Enterprise Partnership (LEP), and with government which could assist in making a case for devolution of powers and funding to deal with challenges and realise opportunities in Somerset.

b) **Leadership / management integration** – this could mean at its basic level, shared management boards to bring senior managers together to oversee the development of strategy and the delivery of community outcomes and efficiencies. At the other end of the scale it could lead to a shared management structure with, for example, a single Senior Leadership Team for Somerset, leading the officer core of all Councils. This has been deployed in other areas of the country, for example in Oxfordshire where the Chief Executive of the County Council is also the CEO of a district – this could be applied across all districts; or in Gloucestershire where the Chief Executive of Gloucester City Council is also a Director of the County Council. A potential model for a unified senior structure across Somerset could be developed across the councils using similar lines to either of these examples. An integrated management across the councils with a core mission to deliver the benefits of Option 2 would seem important to ensuring the change has an ownership and accountability for delivery.

c) **Shared internal support services** – examples already exist, for example with shared legal services in Somerset, that could be more broadly applied to all internal support services, such as HR, Finance etc. and applied across all councils. This would achieve economies of scale and widening of expertise that is not achievable with separate sets of support services. Such shared services could all sit under one umbrella – a partnership entity overseen by all councils – or each council could be the lead partner for a support service, providing services under service level agreements to the other councils e.g. one council leads on HR, one leads on Legal, one leads on Finance etc.

d) **Simple self-serve customer journeys** – this might involve redesigning all services through the eyes of the customer rather than which council they are interacting with. It could involve a single customer portal for Somerset, with service design directing the customer need to the appropriate council and potentially other service providers, but to the customer appearing seamless in its delivery. It would promote self-service to all residents of Somerset, thus allowing resources to be freed up to service demand from customers / residents who cannot or will not use self-service channels.

e) **Local holistic triage** – this could involve investing in shared or integrated teams operating at a community level, able to deal with a range of service needs across councils and holding the knowledge of which specialists to contact from which council to meet customer demand. Teams would be able to look at the resident / customer needs in the round rather than being constrained by organisational boundaries.

f) **Multi-disciplinary locality working** – this might involve integrated teams operating at a community or place level and sharing information and solutions and operating to locality plans and objectives that take account of local needs and differences as well as the wider strategic ambitions for Somerset. This could be based on themes e.g. community – bringing together disciplines such as housing and health, to tackle community and individual issues.

g) **Single strategy / approach to community-based demand management** – reducing demand or at least stemming the increase in demand for services is a common challenge for all public services. A single strategy and approach would ensure all councils and potentially other public service providers are working coherently to reduce demand and are taking account of the impact of decisions about services and initiatives on demand for their services and the services of others.

h) **Joined up commissioning & procurement** – all councils are involved in procuring similar goods and services. Joining this up could involve either more integration between the current individual and teams within councils or having a single procurement team tasked with driving down procurement costs and maximising the social and economic value to Somerset from the goods and services all councils buy.

i) **Single commercial strategy (and delivery)** – all councils have embarked to varying degrees on commercial strategies to support the sustainable delivery of services. A single commercial strategy and delivery could involve at the very least, a more coordinated approach, sharing experience and expertise and coordinating activity. At its furthest extent there could be a shared commercial strategy and team tasked with maximising the return for all councils and helping reduce risk by operating a shared portfolio of investment. A shared team would enable both a greater depth and breadth of knowledge and experience and potentially make the authorities more competitive in attracting the required expertise to manage commercial investment and risk well. Each council needn't necessarily hold the same level of equity in the shared portfolio but could potentially invest at different levels dependent on need and appetite for risk.

j) **Focused asset strategy & portfolio management** – all councils hold significant assets between them. Across the entirety of the portfolio there is undoubtedly excess operational space and the ambitions of “one public estate” are far from being fully realised. A focussed and shared asset strategy and portfolio could bring renewed focus to the efficient use of public assets, releasing those assets that are surplus to requirements for other uses and priorities and delivering operational savings and potentially capital receipts. Sharing portfolio management would not necessarily mean that if an asset was sold the financial benefits were shared between all councils, as clearly the asset will still be owned by one council. However, methods could be examined to incentivise greater sharing and release of surplus assets, including potentially with other public service providers.

7.0 Moving Forward

7.1 To realise the benefits of Option 2 will require significant work to be undertaken from staff and most probably, external expert support given the capacity constraints in all councils. Furthermore and more importantly, the Councils will need to commit to far reaching reforms for the long term to realise the benefits identified and there will need to be unified, determined and consistent political and senior managerial leadership across the councils to drive this through to conclusion, and overcome the undoubted obstacles and challenges that change of this scale will pose.

7.2 The Leaders and Chief Executives commissioned some further exploratory work by an internal team drawn from the five councils to consider Option 2 and how it might be delivered. This fleshed out a potential approach and led to this Option being renamed “Option 2 – Collaboration and Integration” as a better reflection of what it involves. The Team began to cluster the areas of work together to create a better integrated approach, reducing the risk of double counting financial benefits, and provide a clearer framework for moving forward.

7.3 These clusters need further work to define them accurately, but the intention would be to create a sequence that:

a) Starts with the creation of the ‘machinery’ to do the ‘heavy lifting’ of the ‘transformation programme in the future by bringing together data and strategy personnel, creating combined programme management and change delivery teams and working to assess the specific opportunities arising from the commitment to close collaboration. This work will also start to bring together the back office functions whose role is so vital in driving change, HR and ICT, finance and property. As each area of service is brought together the leadership and management elements can be integrated and rationalised

b) Once this is in place then the programme could begin the task of strengthening work at a local level, working to create the single strategy/approach to community-based demand management outlined above, redesigning customer access, creating a common front door to services and to local forms of help, and crucially working alongside local voluntary groups, Town and Parish Councils to build communities to combat isolation and exclusion. This work would also entail a greater emphasis on targeted early intervention and prevention.

c) The programme could then progress to create the ventures and initiatives which could provide new approaches to long standing problems and create new opportunities to work creatively with the assets of the organisations. The process of jointly recommissioning major areas of service could give us the opportunity to rethink and redesign many areas of service, working alongside partners and using evidence of what works from elsewhere to deliver better outcomes and better value for money. It could also present an opportunity to create community interest and other companies to pursue objectives creatively.

7.4 The potential programme outlined above needs a firm foundation, hence, to move ahead with a sense of urgency requires the immediate establishment of a Collaboration Programme Board with a remit to:

a) Build awareness of current activity in the Councils.
b) Gather the data necessary to create the business case to make the final decision, in particular the accurate modelling of future demand, and the validation of estimates for savings and the costs of achieving them.
c) Ensure that all improvement activity in the separate Councils is understood and then aligned, based on the premise that a shared approach is the agreed goal of the organisations.
d) Revisit the original report and create clusters of workstream activity.
e) Identify where work could start in order to show quick progress.

8.0 Conclusion

8.1 The debate on the Future of Local Government in Somerset, which has been ongoing for over 18 months in this instance, and sporadically for several decades before that, needs to move decisively into concrete action and follow a clear direction.

8.2 It is clear that the combined pressures of a growing and aging population, increasing levels of poverty and poor social mobility, low wages and insufficient housing present a set of challenges that threaten to overwhelm local government and other public sector organisations. Action is needed quickly to arrest and reverse the trends and to build on opportunities that have been dormant for some time.

8.3 Ironically the limited collaboration between the Councils in the past provides the basis of the first steps toward a new future. As stated at the beginning, the District Councils believe that a more collaborative approach is the best way to achieve immediate change and improved outcomes for the communities that we serve. There are, at first sight, substantial savings to be gained from bringing the organisations together and removing waste and duplication. A number of options are available, with the preferred option being the one that delivers savings quickly and enables people to be fully focussed from day one on the development of effective strategies, the redesign of services and the strengthening of communities.

8.4 The collaborative Option is not the easiest and this will require considerable and sustained political and managerial will. Light touch sharing will not provide the outcomes to compare with those on offer through the pursuit of a Unitary path, it will require integration at scale whilst retaining the local democratic arrangements.

8.5 Work needs to start now by creating a joint programme board to create the business case and establish the capacity to deliver an ambitious programme that will give Somerset residents the local government they need and deserve.

Timetable

- February 2020: Reports submitted to the District Councils to gain commitment and agreement to formally develop Option 2. Workshops at each Council
- March - June 2020: Discovery and development of detailed business case and outline delivery plan, governance, etc. for Option 2. Community Consultation and Engagement on the issues and the future of Somerset
- July 2020: Joint Scrutiny Panel. Individual Council Scrutiny. Formal Consideration of Business Case, Delivery Plan and Governance by each of the District Councils
- August 2020: Commence Implementation

9.0 Recommendations

9.1 Executive recommends to Full Council that:

1. A full business case should now be prepared, which fully explores Option 2 (Collaboration and Integration), being the preferred way forward at this time. This business case should come back to the Executive in July 2020, along with clear recommendations and a delivery plan.

2. A joint Project Board should be created, with the Leader of the Council being the representative from Somerset West and Taunton Council, to oversee the work during the next stage.

3. Option 2 – Collaboration and Integration, as Somerset West and Taunton Council's current preferred option for the future of local government in Somerset to take forward through community consultation and engagement.

4. Note that in the best interests of the communities and residents of the District, the Council will continue to work with colleagues across all tiers of local government and public service in Somerset

10.0 Links to Corporate Strategy

10.1 There will be an indirect impact on all Corporate Priorities

11.0 Finance / Resource Implications

11.1 The financial implications of this Report will be considered in the development of the detailed Business Case, if this Option is approved

12.0 Legal Implications

12.1 The legal implications of this Report will be considered in the development of the detailed Business Case, if this Option is approved

13.0 Climate and Sustainability Implications

13.1 The climate change implications of this Report will be considered in the development of the detailed Business Case, if this Option is approved

14.0 Safeguarding and/or Community Safety Implications

14.1 Any safeguarding and/or community safety Implications will be considered in the development of the detailed Business Case, if appropriate.

15.0 Equality and Diversity Implications

15.1 The equalities implications will be considered in the development of the detailed Business Case, if this Option is approved

16.0 Social Value Implications

16.1 There will be both direct and indirect impacts on the delivery of services to our customers and communities, and the Business Plans will in due course identify these in more detail

17.0 Partnership Implications

17.1 If Option 2 is approved the implications of collaboration and integrated working will be covered in the detailed Business Report.

18.0 Health and Wellbeing Implications

18.1 The health and wellbeing implications will be considered in the development of the detailed Business Case, if this Option is approved

19.0 Asset Management Implications

19.1 Any asset management implications will be considered in the development of the detailed Business Case, if this Option is approved

20.0 Data Protection Implications

20.1 Any Data Protection implications will be considered in the development of the detailed Business Case, if this Option is approved

21.0 Consultation Implications

21.1 Any Consultation implications will be considered in the development of the detailed Business Case, if this Option is approved

Democratic Path:

- **Scrutiny / Corporate Governance or Audit Committees – No**
- **Cabinet/Executive – Yes**
- **Full Council – Yes**

Reporting Frequency: **Ad-hoc**

Supporting Document:

Ignite Consortia Report - which looked at the range of options for change - February 2019

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