

## SWT Full Council

Tuesday, 29th March, 2022,  
6.15 pm



Somerset West  
and Taunton

The John Meikle Room - The Deane  
House

### [SWT MEETING WEBCAST LINK](#)

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**Members:** Hazel Prior-Sankey (Chair), Richard Lees (Vice-Chair), Ian Aldridge, Benet Allen, Lee Baker, Marcus Barr, Mark Blaker, Chris Booth, Sue Buller, Norman Cavill, Simon Coles, Dixie Darch, Hugh Davies, Tom Deakin, Dave Durdan, Kelly Durdan, Caroline Ellis, Habib Farbahi, Ed Firmin, Andrew Govier, Steve Griffiths, Roger Habgood, Andrew Hadley, Barrie Hall, John Hassall, Nicole Hawkins, Ross Henley, Marcia Hill, John Hunt, Dawn Johnson, Marcus Kravis, Sue Lees, Libby Lisgo, Mark Lithgow, Janet Lloyd, Dave Mansell, Andy Milne, Chris Morgan, Simon Nicholls, Craig Palmer, Derek Perry, Martin Peters, Andy Pritchard, Steven Pugsley, Mike Rigby, Francesca Smith, Federica Smith-Roberts, Vivienne Stock-Williams, Andrew Sully, Nick Thwaites, Anthony Trollope-Bellew, Ray Tully, Terry Venner, Sarah Wakefield, Danny Wedderkopp, Brenda Weston, Keith Wheatley, Loretta Whetlor and Gwil Wren

### Agenda

**1. Apologies**

To receive any apologies for absence.

**2. Minutes of the previous meeting of Full Council**

To approve the minutes of the previous meeting of the Committee.

**3. Declarations of Interest**

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

(The personal interests of Councillors and Clerks of Somerset County Council, Town or Parish Councils and

(Pages 7 - 30)

other Local Authorities will automatically be recorded in the minutes.)

#### **4. Public Participation**

The Chair to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public who have submitted any questions or statements, please note, a three minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue.

We are now live webcasting most of our committee meetings and you are welcome to view and listen to the discussion. The link to each webcast will be available on the meeting webpage, but you can also access them on the [Somerset West and Taunton webcasting website](#).

#### **5. To receive any communications or announcements from the Chair of the Council**

#### **6. To receive any communications or announcements from the Leader of the Council**

#### **7. To receive any questions from Councillors in accordance with Council Procedure Rule 13**

#### **8. Somerset West and Taunton Council amended Political Allocation and Councillor Appointments to Committees**

(Pages 31 - 40)

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

The purpose of this report is to amend the Council's numerical political allocation due to the following changes since the last update in July 2021.

#### **9. Decision taken under the urgency rules regarding the Additional Restrictions Grant Scheme**

(Pages 41 - 50)

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

This report details the decision taken on 12 January 2022 by the Chief Executive under the urgency rules contained within paragraph 5 of the Budget and Policy Framework within the Council's Constitution.

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|---|--------------------------|
| <p><b>10. Budget Approval - Electric Vehicle Charging Points</b></p> <p>This matter is the responsibility of Executive Councillor for Climate Change, Councillor Dixie Darch.</p> <p>In line with the Council's financial regulations, this report seeks to confirm and regularise the capital budget required for the rollout of the Electric Vehicle Charging Points. This project does not require any new funding or borrowing.</p> | <p>(Pages 51 - 54)</p>   |
| <p><b>11. Annual Pay Policy Statement 2022/23</b></p> <p>This matter is the responsibility of Executive Councillor for Corporate Resources, Councillor Ross Henley.</p> <p>Section 38 (1) of the Localism Act 2011 establishes a statutory requirement for local authorities to prepare and publish a pay policy statement for each financial year, approved by Full Council.</p>   | <p>(Pages 55 - 84)</p>   |
| <p><b>12. Capital, Investment and Treasury Strategies 2022/23 to 2024/25</b></p> <p>This matter is the responsibility of Executive Councillor for Corporate Resources, Councillor Ross Henley.</p> <p>The purpose of this report is to bring to Members three recommended strategies covering Capital, Investment and Treasury Management (CIT Strategies) for their consideration and adoption.</p>                                    | <p>(Pages 85 - 154)</p>  |
| <p><b>13. Wordsworth Drive and Coleridge Crescent Flats Regeneration, Taunton</b></p> <p>This matter is the responsibility of Executive Councillor for Housing, Councillor Francesca Smith.</p> <p>The report proposes that the flats no longer provide the quality of accommodation, in terms of decency and thermal efficiency, which SWT tenants should expect and which the Council strive to provide.</p>                          | <p>(Pages 155 - 174)</p> |
| <p><b>14. Motion on Water Quality</b></p> <p>To consider a Motion proposed by Councillor Dixie Darch, seconded by Councillor Gwil Wren.</p>   | <p>(Pages 175 - 178)</p> |
| <p><b>15. Motion on the use of Hybrid Meetings</b></p> <p>To consider a Motion proposed by Councillor Anthony Trollope-Bellew, seconded by Councillor Gwil Wren.</p>  | <p>(Pages 179 - 184)</p> |

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| <b>16. Corporate Scrutiny Committee - Chair's Annual Report - For Information Only</b>   | (Pages 185 - 192) |
| <b>17. Community Scrutiny Committee - Chair's Annual Report - For Information Only</b>   | (Pages 193 - 194) |
| <b>18. Audit and Governance Committee - Chair's Annual Report - For Information Only</b> | (Pages 195 - 198) |



**ANDREW PRITCHARD  
CHIEF EXECUTIVE**

Please note that this meeting will be recorded. At the start of the meeting the Chair will confirm if all or part of the meeting is being recorded and webcast. You should be aware that the Council is a Data Controller under the Data Protection Act 2018. Data collected during the recording will be retained in accordance with the Council's policy. Therefore unless you are advised otherwise, by entering the Council Chamber and speaking during Public Participation you are consenting to being recorded and to the possible use of the sound recording for access via the website or for training purposes. If you have any queries regarding this please contact the officer as detailed above.

Members of the public are welcome to attend the meeting and listen to the discussions. There is time set aside at the beginning of most meetings to allow the public to ask questions. Speaking under "Public Question Time" is limited to 3 minutes per person in an overall period of 15 minutes and you can only speak to the Committee once. If there are a group of people attending to speak about a particular item then a representative should be chosen to speak on behalf of the 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.

If you would like to ask a question or speak at a meeting, you will need to submit your request to a member of the Governance Team in advance of the meeting. You can request to speak at a Council meeting by emailing your full name, the agenda item and your question to the Governance Team using [governance@somersetwestandtaunton.gov.uk](mailto:governance@somersetwestandtaunton.gov.uk)

Any requests need to be received by 4pm on the day that provides 1 clear working day before the meeting (excluding the day of the meeting itself). For example, if the meeting is due to take place on a Tuesday, requests need to be received by 4pm on the Friday prior to the meeting.

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The meeting rooms, including the Council Chamber at The Deane House, are on the first floor and are fully accessible. Lift access to The John Meikle Room (Council Chamber), 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.

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For further information about the meeting, please contact the Governance and Democracy Team via email: [governance@somersetwestandtaunton.gov.uk](mailto:governance@somersetwestandtaunton.gov.uk)

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**SWT Full Council - 8 February 2022**

Present: Councillor Hazel Prior-Sankey (Chair)

Councillors Ian Aldridge, Benet Allen, Lee Baker, Marcus Barr, Chris Booth, Sue Buller, Norman Cavill, Simon Coles, Dixie Darch, Hugh Davies, Tom Deakin, Dave Durdan, Kelly Durdan, Caroline Ellis, Habib Farbahi, Ed Firmin, Andrew Govier, Steve Griffiths, Roger Habgood, Barrie Hall, John Hassall, Ross Henley, Dawn Johnson, Marcus Kravis, Sue Lees, Libby Lisgo, Mark Lithgow, Janet Lloyd, Dave Mansell, Andy Milne, Simon Nicholls, Derek Perry, Andy Pritchard, Steven Pugsley, Mike Rigby, Francesca Smith, Vivienne Stock-Williams, Andrew Sully, Nick Thwaites, Anthony Trollope-Bellew, Ray Tully, Terry Venner, Sarah Wakefield, Danny Wedderkopp, Brenda Weston, Loretta Whetlor and Gwil Wren

Officers: James Barraah, Lesley Dolan, Paul Fitzgerald, Chris Hall, Tracey Meadows, Andrew Pritchard, Marcus Prouse, Clare Rendell and John Rendell

(The meeting commenced at 6.15 pm)

**78. Apologies**

Apologies were received from Councillors M Blaker, A Hadley, M Hill, J Hunt, R Lees, C Morgan, C Palmer, M Peters, F Smith-Roberts and K Wheatley.

**79. Minutes of the previous meeting of Full Council**

(Minutes of the meeting of Full Council held on 7 December 2021 circulated with the agenda)

**Resolved** that the minutes of Full Council held on 7 December 2021 be confirmed as a correct record.

**80. Declarations of Interest**

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

| Name         | Minute No. | Description of Interest                     | Reason   | Action Taken    |
|--------------|------------|---|----------|-----------------|
| Cllr L Baker | All Items  | Cheddon Fitzpaine & Taunton Charter Trustee | Personal | Spoke and Voted |
| Cllr M Barr  | All Items  | Wellington                                  | Personal | Spoke and Voted |
| Cllr C Booth | All Items  | Wellington and Taunton Charter              | Personal | Spoke and Voted |

|                       |           |                               |          |                 |
|-----------------------|-----------|-------------------------------|----------|-----------------|
|                       |           | Trustee                       |          |                 |
| Cllr N Cavill         | All Items | West Monkton                  | Personal | Spoke and Voted |
| Cllr S Coles          | All Items | SCC & Taunton Charter Trustee | Personal | Spoke and Voted |
| Cllr H Davies         | All Items | SCC                           | Personal | Spoke and Voted |
| Cllr T Deakin         | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr C Ellis          | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr A Govier         | All Items | SCC & Wellington              | Personal | Spoke and Voted |
| Cllr D Johnson        | All Items | SCC                           | Personal | Spoke and Voted |
| Cllr S Lees           | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr L Lisgo          | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr M Lithgow        | All Items | Wellington                    | Personal | Spoke and Voted |
| Cllr J Lloyd          | All Items | Wellington & Sampford Arundel | Personal | Spoke and Voted |
| Cllr A Milne          | All Items | Porlock                       | Personal | Spoke and Voted |
| Cllr S Nicholls       | All Items | Comeytrove                    | Personal | Spoke and Voted |
| Cllr D Perry          | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr H Prior-Sankey   | All Items | SCC & Taunton Charter Trustee | Personal | Spoke and Voted |
| Cllr M Rigby          | All Items | SCC & Bishops Lydeard         | Personal | Spoke and Voted |
| Cllr F Smith          | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr V Stock-Williams | All Items | Wellington                    | Personal | Spoke and Voted |
| Cllr N Thwaites       | All Items | Dulverton                     | Personal | Spoke and Voted |
| Cllr R Tully          | All Items | West Monkton                  | Personal | Spoke and Voted |
| Cllr T Venner         | All Items | Minehead                      | Personal | Spoke and Voted |
| Cllr D Wedderkopp     | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr B Weston         | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr L Whetlor        | All Items | Watchet                       | Personal | Spoke and Voted |
| Cllr G Wren           | All Items | Clerk to Milverton PC         | Personal | Spoke and Voted |

Councillor M Kravis further declared a pecuniary interest on agenda item 10 and would leave the room during the debate.

## 81. Public Participation

No members of the public had requested to speak on any item on the agenda.

82. **To receive any communications or announcements from the Chair of the Council**

The Chair of the Council wished to pass on her condolences to Councillor F Smith and Councillor F Smith-Roberts on the passing of a close relative.

The Chair congratulated Councillor F Smith-Roberts on the birth of her twins in January 2022.

The Chair also advised councillors that if they were standing for the Unitary Elections in May 2022, there would be two candidate sessions held on 23 February and 2 March 2022, if they wished to gain further information on becoming a unitary councillor.

83. **To receive any communications or announcements from the Leader of the Council**

There were no announcements made by the Leader of the Council.

84. **To receive any questions from Councillors in accordance with Council Procedure Rule 13**

No questions were received in regard to Procedure Rule 13.

85. **Housing Revenue Account (HRA) Revenue and Capital Budget Setting 2022/23 including Dwelling Rent Setting 22/23, MTFP Update and 30-Year Business Plan Review**

During the discussion the following points were made:-

- Councillors agreed that officers had done a very good job on producing the budget papers especially for a challenging environment such as housing and construction.
- Councillors were proud of the work achieved in the zero-carbon sector of the department.
- The Portfolio Holder for Housing thanked all councillors for their support.

In accordance with Standing Order 18(2)(i), the Chair called for a recorded vote to be taken and recorded in the Minutes.

The recommendations, which are detailed below, were put and were **CARRIED** with thirty-seven Councillors in favour and eight abstaining:-

2.1.1 To approve the HRA Annual Revenue Budget for 2022/23.

2.1.2 To approve the increase of 4.1% (CPI+1%) to Dwelling Rents for 2022/23.

2.1.3 To approve the HRA Capital Programme for 2022/23.

- 2.1.4 To note the reviewed and updated assumptions in the 5-Year Medium Term Financial Plan (MTFP).
- 2.1.5 To note the reviewed and updated assumptions in the 2021 HRA 30-Year Business Plan.

Those voting **FOR** the **MOTION**: Councillors I Aldridge, B Allen, L Baker, C Booth, S Buller, D Darch, H Davies, T Deakin, D Durdan, K Durdan, C Ellis, H Farbahi, E Firmin, A Govier, S Griffiths, J Hassall, D Johnson, M Kravis, S Lees, L Lisgo, M Lithgow, J Lloyd, D Mansell, S Nicholls, D Perry, H Prior-Sankey, A Pritchard, M Rigby, F Smith, A Sully, R Tully, T Venner, S Wakefield, D Wedderkopp, B Weston, L Whetlor and G Wren.

Those **ABSTAINING** from voting: Councillors M Barr, N Cavill, R Habgood, A Milne, S Pugsley, V Stock-Williams, N Thwaites and A Trollope-Bellew.

## 86. **External Auditor Appointment Procurement Process**

During the discussion, the following point was made:-

- Councillors agreed that the auditors had performed very well and that it was a good code of practice for the appointment to go through the procurement process.

**Resolved** that Full Council:-

- 2.1 Accepted Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.
- 2.2 Delegated authority to the S151 Officer to sign the Notice of Acceptance of the invitation to opt in.
- 2.3 Noted that newly established local government bodies had the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015, which would enable the new unitary council to consider opting in to PSAA scheme or making alternative arrangements when legally constituted.

## 87. **Licensing Policies for the Licensing Act 2003 and Gambling Act 2005**

Councillor M Kravis left the room for the item.

**Resolved** that Full Council approved the two policies proposed at Appendices 1 and 2.

## 88. **Changes to the Constitution**

Councillor M Kravis returned to the room.

During the discussion, the following points were raised:-

- Councillors queried why the report had not been taken to a Scrutiny Committee for debate.

*The Governance Specialist advised the correct democratic pathway for any changes to the Constitution, was the Audit and Governance*

*Committee followed by Full Council. The report was taken to the Audit and Governance Committee on 13 December 2021.*

- Councillors queried why the number of signatures for a petition needed to be raised. Concern was raised that it would lead to fewer petitions being submitted and exclude certain groups from making contact with Full Council.

*The Deputy Leader advised that a balance needed to be struck with the figures used. He also advised that it would be good practice to align with the figures used by the other councils in Somerset. However, at this time, he was happy to keep the figure at 200 signatures.*

- Councillors queried a section of the Terms of Reference (ToR) for the Phosphates Sub-Committee, which related to who could be a member of the sub-committee. The current ToR stated that only members of the Planning Committee could be a member of the sub-committee, however, they knew of members of the sub-committee that were not members of the Planning Committee.

*The Deputy Leader advised that it was not good practice to have non Planning Committee members on the sub-committee but was happy to have a discussion to resolve the matter.*

- Councillors requested clarification on the term 'Motion' used in different sections of the Constitution and what was the difference between a Motion submitted in advance and a Motion proposed during a debate.

*Clarification was given.*

- Councillors queried what the asterix meant in some of the titles of the Constitution.

*The Governance Specialist advised that those rules marked with an asterix applied to Council and to the Committees.*

- Councillors highlighted what they believed to be an error in the section on Petitions on page 318 of the agenda, which related to forwarding on some petitions to the County Council.

*This was an error and would be removed.*

- Some concern was raised on why the Constitution was being amended in the last year of the Council.

*Councillors advised that the Constitution was a 'living' document and could be updated at any point to ensure the smooth running of council business.*

- The Chair agreed a 10-minute adjournment to allow for a resolution on the query raised on members of the Phosphate Sub-Committee.

The meeting adjourned at 7.05pm.

The meeting restarted at 7.15pm.

The Chair confirmed the following corrections that would be included in the amendments to the Constitution:-

- The number of signatures required for a petition to be valid, would remain at 200.
- The time for a proposer of a motion would remain at 10 minutes.
- Two slight revisions were made in respect of Appendix C1 and C2 pertaining to the Council Procedure Rules. The first was in respect of 26.5 and the language inserted around the Appointment of Substitute Members

of Committees. The purpose of these was to correct minor errors or aid in refining procedure.

- The following amendment would be made to the ToR for the Phosphates Sub-Committee:-

The sub-committee may, by majority vote, co-opt up to 2 further councillors to be members of the sub-committee provided that they were suitably qualified substitutes for the purpose of the Planning Committee. Co-opted Members were not entitled to vote.

**Resolved** that Full Council accepted the proposals, with amendments, from the Deputy Monitoring Officers (DMOs) and delegated to the DMOs the amendments to give effect to the proposals.

## 89. **To consider reports from Executive Councillors**

During the discussion, the following points were raised:-

- Councillors raised concern that on page 377 of the agenda, it only appeared to mention Taunton in the works around Town Centres and that there should be information on Wellington and Minehead.
- Councillors also mentioned that updates on the Wellington Partnership had not been included in the Employment Skills section on page 381 of the agenda.

*The Portfolio Holder for Asset Management and Economic Development agreed they were both good points made and that he would include an update in his next report.*

- Councillors thanked the Portfolio Holder for Planning and Transportation for his comments on the High Street Health Checks.
- Councillors chased information they had requested on the members of the Innovation Group.

*The Portfolio Holder for Asset Management and Economic Development would resend the information to councillors.*

(The Meeting ended at 7.25 pm)

## SWT Full Council - 24 February 2022

Present: Councillor Hazel Prior-Sankey (Chair)

Councillors Richard Lees, Ian Aldridge, Benet Allen, Lee Baker, Marcus Barr, Chris Booth, Sue Buller, Norman Cavill, Simon Coles, Dixie Darch, Tom Deakin, Dave Durdan, Kelly Durdan, Caroline Ellis, Habib Farbahi, Ed Firmin, Andrew Govier, Steve Griffiths, Roger Habgood, Andrew Hadley, John Hassall, Nicole Hawkins, Ross Henley, Marcia Hill, Dawn Johnson, Marcus Kravis, Sue Lees, Libby Lisgo, Janet Lloyd, Dave Mansell, Andy Milne, Derek Perry, Steven Pugsley, Mike Rigby, Francesca Smith, Federica Smith-Roberts, Vivienne Stock-Williams, Andrew Sully, Anthony Trollope-Bellew, Ray Tully, Sarah Wakefield, Brenda Weston, Keith Wheatley, Loretta Whetlor and Gwil Wren

Officers: Emily Collacott, Lesley Dolan, Paul Fitzgerald, Chris Hall, Alison North, Andrew Pritchard, Jo Comer, Marcus Prouse and Clare Rendell

(The meeting commenced at 6.15 pm)

### 90. Apologies

Apologies were received from Councillors M Blaker, H Davies, B Hall, J Hunt, M Lithgow, C Morgan, S Nicholls, C Palmer, M Peters, A Pritchard, N Thwaites and T Venner.

### 91. Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

| Name          | Minute No. | Description of Interest                     | Reason   | Action Taken    |
|---------------|------------|---|----------|-----------------|
| Cllr L Baker  | All Items  | Cheddon Fitzpaine & Taunton Charter Trustee | Personal | Spoke and Voted |
| Cllr M Barr   | All Items  | Wellington                                  | Personal | Spoke and Voted |
| Cllr C Booth  | All Items  | Wellington and Taunton Charter Trustee      | Personal | Spoke and Voted |
| Cllr N Cavill | All Items  | West Monkton                                | Personal | Spoke and Voted |
| Cllr S Coles  | All Items  | SCC & Taunton Charter Trustee               | Personal | Spoke and Voted |
| Cllr T Deakin | All Items  | Taunton Charter Trustee                     | Personal | Spoke and Voted |
| Cllr C Ellis  | All Items  | Taunton Charter Trustee                     | Personal | Spoke and Voted |

|                       |           |                               |          |                 |
|-----------------------|-----------|-------------------------------|----------|-----------------|
| Cllr A Govier         | All Items | SCC & Wellington              | Personal | Spoke and Voted |
| Cllr Mrs Hill         | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr D Johnson        | All Items | SCC                           | Personal | Spoke and Voted |
| Cllr R Lees           | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr S Lees           | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr L Lisgo          | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr J Lloyd          | All Items | Wellington & Sampford Arundel | Personal | Spoke and Voted |
| Cllr A Milne          | All Items | Porlock                       | Personal | Spoke and Voted |
| Cllr D Perry          | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr H Prior-Sankey   | All Items | SCC & Taunton Charter Trustee | Personal | Spoke and Voted |
| Cllr M Rigby          | All Items | SCC & Bishops Lydeard         | Personal | Spoke and Voted |
| Cllr F Smith          | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr F Smith-Roberts  | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr V Stock-Williams | All Items | Wellington                    | Personal | Spoke and Voted |
| Cllr R Tully          | All Items | West Monkton                  | Personal | Spoke and Voted |
| Cllr D Wedderkopp     | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr B Weston         | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr L Whetlor        | All Items | Watchet                       | Personal | Spoke and Voted |
| Cllr G Wren           | All Items | Clerk to Milverton PC         | Personal | Spoke and Voted |

Councillor M Kravis further declared a pecuniary interest on agenda item 11, Commercial Investment/Asset Management Strategies. He had owned a piece of land mentioned within the report and would leave the meeting for that item.

92. **Public Participation - To receive only in relation to the business for which the Extraordinary Meeting has been called any questions, statements or petitions from the public in accordance with Council Procedure Rules 14,15 and 16**

Mr Roger House submitted questions on agenda item 7, General Fund Revenue Budget and Capital Estimates 2022-23:-

In April 2019 alongside the reorganisation to form a new Dorset Unitary Council a new town council for Weymouth was set up with the election of 29 new councillors in May 2019.

The outgoing Weymouth and Portland Borough Council meeting report of the 22<sup>nd</sup> of February 2018 (14 months before inauguration, just like us today) includes details of the Community Governance Review outlining the new town council and in a financial section a budgeted amount of £200k to set this up. Council reports show six months before the inauguration of the Town Council an advance appointment of Jane Biscombe as the acting Town Clerk and Financial Officer.

She supported the Shadow Town Council with regards the package of assets and duties to be transferred from Dorset Council including a full budget disaggregation exercise, so the money follows the function. There was a transfer of twenty-one staff, to form the Councils own in-house greenspace's maintenance team.

Our Taunton unparished area, in numbers of elector's terms, is three quarters that of Weymouth. We still need to be bold in forming our new parish body (or bodies) by including all advance costs for a similar acting parish clerk position. I think this must be funded by the SWT Council, so please in addition to the One Somerset Unitary Reorganisation Costs, can this cost also be included?

The Portfolio Holder for Corporate Resources thanked Mr House for his questions and advised that a written response would be provided.

93. **To receive any communications or announcements from the Chair of the Council**

The Chair of the Council made the following announcements:-

- She wished Councillor Roger Habgood a happy birthday.
- The Chair welcomed the newest elected councillor, Nicole Hawkins, to Somerset West and Taunton Council.
- She advised Full Council about the Male Voice Choir Concert taking place on 9 April 2022.

94. **To receive any communications or announcements from the Leader of the Council**

The Leader of the Council made the following announcements:-

- She thanked all the staff for their hard work helping local residents through the recent storms, Eunice and Franklin.
- The Leader highlighted the atrocities occurring in Ukraine and asked Full Council to take a moment to think about how fortunate we were in the United Kingdom.

95. **To receive only in relation to the business for which the Extraordinary Meeting has been called any questions from Councillors in accordance with Council Procedure Rule 13**

No questions were received in relation to Council Procedure Rule 13.

## General Fund Revenue Budget and Capital Estimates 2022-23

During the discussion, the following points were raised:-

- Councillors welcomed the budget report.
- Councillors thanked officers for their hard work on producing the budget report.
- Councillors queried why there had been changes in the report since it had gone to Corporate Scrutiny for debate, including the addition of the budget book.

*The Portfolio Holder for Corporate Resources advised that the budget book was only in draft format when the report had gone to Corporate Scrutiny and further clarified that the information included in the report had been updated due to changes received during the budget process.*

- The Leader of the Conservative Group spoke on behalf of his members and agreed that the budget did pass muster, however, he was concerned that it was being politically driven and that it was not prudent or sustainable.
- Concern was raised that a one-year budget had been produced which passed the buck to the Unitary Council.
- Councillors were pleased to see that services had been protected within the budget.

*The Portfolio Holder for Corporate Services thanked councillors for their comments and was pleased that money was still being invested in assets, climate change, street scene, open spaces, the crematorium and housing projects, to name but a few.*

- Concern was raised that the climate change projects were only given a one-off allocation and had not been included within the Medium-Term Financial Plan.

*The Portfolio Holder for Corporate Resources advised that as part of the Carbon Neutrality and Climate Resilience Action Plan, officers would be in a substantive part of the council and therefore would be transferred over to the New Council along with the other officers, the budget had only been set for one year, as the New Council would be responsible for setting the budget post vesting day on 1 April 2023.*

- Councillors requested clarification on the precept set for the Unparished Area of Taunton.  
*Clarification was given.*
- The Leader of the Council was pleased to second the budget report. She had first entered into politics to make a difference to the local community which she believed the budget would deliver. She also believed that the budget was sustainable and left a lasting legacy budget for the residents of Somerset West and Taunton.

In accordance with Standing Order 18(2)(i), the Chair called for a recorded vote to be taken and recorded in the Minutes.

The recommendations, which are detailed below, were put and **CARRIED** with thirty-six for and ten abstaining:

**Resolved** that Full Council:-

2.1 Approved the Revenue Budget, Council Tax Rate and Capital Programme for 2022/23 and Supplementary Budget in 2021/22 including:

- a) Draft Revenue Net Budget of £17.018m for 2022/23.
- b) The basic Somerset West and Taunton Band D Council Tax rate of £174.63 for 2022/23.
- c) General Fund 2022/23 Capital Programme additions totalling £1.896m and 2022/23 Capital Programme Revisions of -£0.181m for previously approved schemes for 2022/23, as set out in Table 18.
- d) A Supplementary Budget in 2021/22 of £1m for additional capital debt repayment funded from General Reserves.
- e) The release of the £2.4m 2021/22 Budget Volatility and Risk Reserve with £0.4m transferred to General Reserves and £2m to fund a supplementary increase in the Revenue Contribution to Capital Outlay budget in order to finance capital expenditure in 2021/22.
- f) £570k was transferred from the 2021/22 budget to the Capital Financing Reserve to fund the increase to the Car Park Improvement Project capital budget in 2022/23.

2.2 Delegated authority to the S151 Officer to approve the CIL capital grants budgets to reflect in-year CIL capital receipts passed to town and parishes in line with the CIL policy.

Those voting **FOR** the **MOTION**: Councillors I Aldridge, B Allen, L Baker, C Booth, S Coles, D Darch, T Deakin, K Durdan, C Ellis, H Farbahi, E Firmin, A Govier, S Griffiths, J Hassall, N Hawkins, R Henley, M Hill, D Johnson, M Kravis, R Lees, S Lees, L Lisgo, J Lloyd, D Mansell, D Perry, H Prior-Sankey, M Rigby, F Smith, F Smith-Roberts, A Sully, R Tully, S Wakefield, B Weston, K Wheatley, L Whetlor and G Wren.

Those **ABSTAINING** from voting: Councillors M Barr, S Buller, N Cavill, D Durdan, R Habgood, A Hadley, A Milne, S Pugsley, V Stock-Williams and A Trollope-Bellew.

## 97. **Council Tax Setting 2022/23**

During the discussion, the following points were raised:-

- Councillor N Cavill left the room.
- The Leader of the Council was happy to second the report and wanted to remind residents that although they paid their council tax to the district council, that it was distributed to other local authorities and that the district council only kept a small amount of the payment amount.

In accordance with Standing Order 18(2)(i), the Chair called for a recorded vote to be taken and recorded in the Minutes.

The recommendations, which are detailed below, were put and were **CARRIED** with forty-five councillors voting in favour:-

**Resolved** that Full Council:-

- 2.1 Approved the formal Council Tax Resolution in Appendix A.  
 2.2 Noted that if the formal Council Tax Resolution at Appendix A was approved, the total Band D Council Tax would be:

|                                       | 2021/22         | 2022/23         | Increase    |
|---------------------------------------|-----------------|-----------------|-------------|
|                                       | £               |                 | %           |
| Somerset West and Taunton Council     | 169.63          | 174.63          | 2.95        |
| Somerset County Council               | 1,201.97        | 1,228.90        | 2.99        |
| Somerset County Council – Social Care | 151.56          | 165.10          |             |
| Police and Crime Commissioner         | 241.20          | 251.20          | 4.15        |
| Devon and Somerset Fire Authority     | 90.00           | 91.79           | 1.99        |
| <b>Sub-Total</b>                      | <b>1,854.36</b> | <b>1,911.62</b> | <b>3.09</b> |
| Town and Parish Council (average)     | 45.35           | 47.79           | 5.38        |
| <b>Total</b>                          | <b>1,899.71</b> | <b>1,959.41</b> |             |

- 2.3 Delegated authority to the Council Leader to approve a revised tax resolution if there were any amendments to preceptor demand notifications following this meeting.

Those voting **FOR** the **MOTION**: Councillors I Aldridge, B Allen, L Baker, M Barr, C Booth, S Buller, S Coles, D Darch, T Deakin, D Durdan, K Durdan, C Ellis, H Farbahi, E Firmin, A Govier, S Griffiths, R Habgood, A Hadley, J Hassall, N Hawkins, R Henley, M Hill, D Johnson, M Kravis, R Lees, S Lees, L Lisgo, J Lloyd, D Mansell, A Milne, D Perry, H Prior-Sankey, S Pugsley, M Rigby, F Smith, F Smith-Roberts, V Stock-Williams, A Sully, A Trollope-Bellew, R Tully, S Wakefield, B Weston, K Wheatley, L Whetlor and G Wren.

98. **Business Rates Pooling - Urgent Leader Decision October 2021**

**Resolved** that Full Council noted the report.

Councillor N Cavill returned to the room.

99. **Access to Information - Exclusion of the Press and Public (appendices only)**

**Resolved** that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business (agenda item 11, appendices only) on the grounds that it involved 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).

100. **Commercial Investment/Asset Management Strategies**

During the discussion, the following points were raised:-

- Councillor M Kravis left the meeting.
- The Portfolio Holder for Corporate Services thanked officers for all their expertise and the hard work involved in producing the report.
- Councillors welcomed the income produced by the Strategy. However, they were disappointed to be put in the position of relying on commercial investment to be able to provide local services for the community due to lack of funding received from Central Government.
- Councillors were keen to see more investment in the local area but understood that it might not raise the same level of income.
- Concern was raised on the volatility of income streams.
- Councillors K Durdan and A Govier left the meeting.
- Councillors were pleased to see that great care had been given when the investment properties had been chosen.
- Councillor K Durdan returned to the room.

**Resolved** that Full Council:-

2.1 Supported the following recommendations: -

- a) Noted the six-monthly update information.
- b) Adoption of the revised Commercial Investment Strategy at Appendix 2.
- c) Adopted the Asset Management Strategy as an interim document pending transition to a Unitary authority (Appendix 3)

(The Meeting ended at 7.25 pm)



## SWT Special Full Council - 3 March 2022

Present: Councillor Hazel Prior-Sankey (Chair)

Councillors Richard Lees, Ian Aldridge, Benet Allen, Lee Baker, Marcus Barr, Mark Blaker, Chris Booth, Sue Buller, Norman Cavill, Simon Coles, Dixie Darch, Hugh Davies, Dave Durdan, Caroline Ellis, Ed Firmin, Steve Griffiths, Roger Habgood, John Hassall, Nicole Hawkins, Ross Henley, Marcia Hill, John Hunt, Dawn Johnson, Marcus Kravis, Sue Lees, Libby Lisgo, Mark Lithgow, Dave Mansell, Simon Nicholls, Craig Palmer, Derek Perry, Martin Peters, Andy Pritchard, Steven Pugsley, Mike Rigby, Francesca Smith, Federica Smith-Roberts, Vivienne Stock-Williams, Andrew Sully, Ray Tully, Sarah Wakefield, Danny Wedderkopp, Brenda Weston, Keith Wheatley, Loretta Whetlor and Gwil Wren

Officers: Lesley Dolan, Paul Fitzgerald, Paul McClean, Alison North, Andrew Pritchard, Kevin Williams, Jo Comer, Marcus Prouse and Clare Rendell

(The meeting commenced at 6.15 pm)

The meeting was opened with a moment of reflection for Ukraine given by Adrian Prior-Sankey, a Taunton Town Centre Chaplain.

### 101. Apologies

Apologies were received from Councillors T Deakin, H Farbahi, A Govier, A Hadley, B Hall, J Lloyd, A Milne, C Morgan, N Thwaites, A Trollope-Bellew and T Venner.

### 102. Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

| Name          | Minute No. | Description of Interest                     | Reason   | Action Taken    |
|---------------|------------|---|----------|-----------------|
| Cllr L Baker  | All Items  | Cheddon Fitzpaine & Taunton Charter Trustee | Personal | Spoke and Voted |
| Cllr M Barr   | All Items  | Wellington                                  | Personal | Spoke and Voted |
| Cllr M Blaker | All Items  | Wiveliscombe                                | Personal | Spoke and Voted |
| Cllr C Booth  | All Items  | Wellington and Taunton Charter Trustee      | Personal | Spoke and Voted |
| Cllr N Cavill | All Items  | West Monkton                                | Personal | Spoke and Voted |
| Cllr S Coles  | All Items  | SCC & Taunton Charter Trustee               | Personal | Spoke and Voted |

|                       |           |                               |          |                 |
|-----------------------|-----------|-------------------------------|----------|-----------------|
| Cllr H Davies         | All Items | SCC                           | Personal | Spoke and Voted |
| Cllr C Ellis          | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr Mrs Hill         | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr J Hunt           | All Items | SCC & Bishop's Hull           | Personal | Spoke and Voted |
| Cllr D Johnson        | All Items | SCC                           | Personal | Spoke and Voted |
| Cllr R Lees           | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr S Lees           | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr L Lisgo          | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr M Lithgow        | All Items | Wellington                    | Personal | Spoke and Voted |
| Cllr S Nicholls       | All Items | Comeytrove                    | Personal | Spoke and Voted |
| Cllr C Palmer         | All Items | Minehead                      | Personal | Spoke and Voted |
| Cllr D Perry          | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr M Peters         | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr H Prior-Sankey   | All Items | SCC & Taunton Charter Trustee | Personal | Spoke and Voted |
| Cllr M Rigby          | All Items | SCC & Bishops Lydeard         | Personal | Spoke and Voted |
| Cllr F Smith          | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr F Smith-Roberts  | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr V Stock-Williams | All Items | Wellington                    | Personal | Spoke and Voted |
| Cllr R Tully          | All Items | West Monkton                  | Personal | Spoke and Voted |
| Cllr D Wedderkopp     | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr B Weston         | All Items | Taunton Charter Trustee       | Personal | Spoke and Voted |
| Cllr L Whetlor        | All Items | Watchet                       | Personal | Spoke and Voted |
| Cllr G Wren           | All Items | Clerk to Milverton PC         | Personal | Spoke and Voted |

Councillor Andy Pritchard further declared a pecuniary interest on agenda item 7, Community Governance Review of the Unparished Area of Taunton and Adjoining Parishes, as he had been paid for some work carried out in one of the adjoining parishes, so therefore left the meeting.

103. **Public Participation - To receive only in relation to the business for which the Extraordinary Meeting has been called any questions, statements or petitions from the public in accordance with Council Procedure Rules**

## 14,15 and 16

The following members of the public spoke on agenda item 7, Community Governance Review of the Unparished Area of Taunton and Adjoining Parishes:- Somerset County Councillor Rod Williams:-

He asked the Council to listen to the comments made by the members of the public with an open mind. He believed the first consultation had been unsatisfactory with far too little information included and that it had not been distributed to the relevant parishes. He asked what the relevance was for a phase two consultation when the first consultation had not been listened to. He believed it should just be for the Unparished Area of Taunton. He stated that the Local Community Networks would be an important part of local services going forward. He urged Somerset West and Taunton Council to act in a democratic way and to listen to the local parishes.

Ian Talbot from Staplegrove Parish Council:-

Q1 Please could you explain the "Post Card Drop" which was referred to in the Working Group minutes. What part was it supposed play in the consultation process and why did it not take place?

Q2 Reference was made in paragraph 9.50 to evidence being "heard" on identity etc. Was oral evidence given? The arrangements for consultation did not mention oral presentations. Where was this evidence in the report?

Alan Debenham from Staplegrove Parish Council:-

These proposals were completely out of context with the whole thinking behind this "define the new Town Council boundary" project, as I see it, and I'm one all for making the boundary fit modern town population spread but only if that's what residents want and can prove it. Yes, in the name of residents' democratic involvement, I think any proposal to radically change any parish's boundary in favour of modern town expansion must be backed by a clear majority ( minimum 56% say) of affected residents supporting this change, otherwise it should not even be considered. If there was an expression of interest from certain residents within a declared area, with say at least 4 residents sending a signed letter request to the parish clerk, then there should be a simple 'street poll' taken by an independent official to determine whether or not a certain area should be placed either in or out of the new Town Council's boundary. We should not have Councillors nor employed officials, however much they are interested, putting forward new town boundary proposals unless they are proven by poll/s to be democratically approved by local residents living in that particular area.

Jason Woollacott from Cheddon Fitzpaine Parish Council:-

Cheddon Fitzpaine had built a very good community which included the three new housing estates that had recently been built. He understood why certain areas were being included in the review but did not believe that applied to the area of Cheddon Fitzpaine. He did not believe that the previous responses submitted by the residents of Cheddon Fitzpaine had been listened to in the first phase of the consultation as many of the local residents had expressed that they did not want to be part of the 'Greater Taunton' review. He wanted to represent and defend the area of Cheddon Fitzpaine.

Jo Pearson from Cheddon Fitzpaine Parish Council:-

I was the Parish Clerk to Cheddon Fitzpaine (CFPC) from 2011 until 2021 – retiring nearly a year ago. I strongly disagreed with any proposal to reduce the whole of Cheddon Fitzpaine Parish down in size for the following reasons. The Parish Council, Parish Councillors and myself had worked tirelessly to unite the ‘new’ estates into the Parish, and I believed have successfully done this. A bi-monthly newsletter had been hand-delivered by volunteers to each household; approximately 700 houses in 2011, and 1,100 to date.

The CFPC survey suggested 99% of parishioners had stated they wished the Parish Council to remain. SWT Council had a duty to follow the wishes of this community.

The growth in the community was noted by the Church Commissioners in 2016, who provided the funding for a home/office, and Pioneer Ordinand, who had been resident within Northwalls estate for four years; she had worked tirelessly to engage and unite the new residents into local Parish life. Cheddon Fitzpaine Primary School was full, the Church well supported, and the Memorial Hall all provided a wide variety of activities; This did not happen by accident, but by active interaction between the Parish Council, the establishments, and the local residents. None of this work would be carried out by the new Town Council. Please note, that should the Parish be reduced in size to 309 residents as quoted in SWT Working Party Report, that those residents had already held all the positions as Chairman/Secretary/Treasurer/Trustees etc, over the past 50 years, and there would not be enough people left within the Parish to administer these roles.

The word ‘Land Grab’ was countered by Cllr Mike Rigby at the CFPC meeting in early December 2021 as ‘untrue’. I disagreed; I absolutely felt that SWT was claiming a Land Grab, to claim all the CIL money. At this time, the two developments coming forward would provide approx. £1m in CIL money to the Parish of CFPC (having a Neighbourhood Plan qualifies for 25% of the total CIL available). This money was required for projects that had already been planned, including the ongoing commitments to the Maidenbrook Country Park.

I beg all District Councillors to put politics to one side, and to vote to keep Cheddon Fitzpaine in its entirety as it was now.

Alan Paul from Comeytrove Parish Council:-

My question was about what Parish councils (and the Town council) might be taking on if they took on devolved services, and how the Unitary could achieve savings by economy of scale if there was as much devolution of services as the Fothergill Business Case envisaged. It was relevant to all the Parish councils involved in this Consultation and the Unitary Council that would subsume SWT . I realise that it was also an SCC issue but they had so far not addressed it in the Local Government Advisory Board meetings that I attended. Here's the question :-

Imagine that one of SCC's services was to deliver Mop Handles. The 4 District Councils delivered Mop Heads. If the new Unitary decided to deliver whole Mops, there would be savings through economy of scale. But if all the Town councils and many larger Parish councils agreed to deliver Mops of varying standards and the Unitary had to deliver mops (probably of inferior standard) to the rest of the County, there could be well over 20 or 30 Councils all delivering Mops. The result could be that the service of Mop delivery costs a lot more than before the Unitary.

SCC had promised that devolved services would be "cost-neutral" and claimed that they were not trying to 'dump' costs onto Town and parish councils. How might this be done whilst still achieving the savings promised in the new Unitary ? Was it not likely that Parishes which took on devolved services would see the parish precept rocket, whilst those who decided not to take on devolved services would receive an inferior level of services directly from the Unitary ?

Somerset County Councillor Giuseppe Frascini:-

He raised concern that the views of the local residents were not being listened to. He believed that the Somerset West and Taunton Council administration were acting on a political gain.

He was aware that a Town Council was part of the Unitary Business Case and was important to the Unparished Area of Taunton. He did not agree that a 'Wider Taunton' area was in the best interests of the local residents.

He gave details on the West Monkton and Cheddon Fitzpaine area and concern on their local services being delivered. He raised concern on the council tax precept and that it would not cover the local services for any parishes that were reduced in size such as Cheddon Fitzpaine.

He urged that the councillors voted on a review of the Unparished Area only.

Somerset West and Taunton Councillor Dixie Darch on behalf of Kingston St Mary Parish Council:-

She requested on behalf of the Parish that with the exception of the areas described at A (viii and ix) above, the area of Kingston St Mary Parish Council be completely removed from further consideration of the review and its inclusion in any new Taunton Parish/Town Council.

104. **To receive any communications or announcements from the Chair of the Council**

The Chair of the Council did not have any announcements to make.

105. **To receive any communications or announcements from the Leader of the Council**

The Leader of the Council advised Full Council that there would be a vigil being held in the town centre of Taunton on Saturday 5 March 2022 on behalf of the people of Ukraine and all were welcome to attend.

106. **To receive only in relation to the business for which the Extraordinary Meeting has been called any questions from Councillors in accordance with Council Procedure Rule 13**

No questions were received in regards to Council Procedure Rule 13.

107. **Community Governance Review of the Unparished Area of Taunton and adjoining parishes – results of first stage consultation and draft recommendations**

During the discussion, the following points were raised:-

- The Chair of the Working Group gave a detailed presentation of the work they had achieved and presented the map of the proposed area for the phase two consultation.
- Councillor S Buller left the room.
- Councillor D Darch proposed a recorded vote, which was duly seconded by Councillor L Baker. The vote was taken and carried.
- Councillors thanked the Working Group for all their hard work on the project and for working closely with the local parish councils.
- Councillors supported the actions of the Working Group and the reasons why certain areas were being included or excluded from the phase two consultation.
- Concern was raised on Cheddon Fitzpaine and that it would be left as too small an area for a Parish and would also lead to a large increase of their precept to be able to provide services in that area.
- Councillor S Buller returned to the room.
- Councillors agreed that a Town Council was needed for the Taunton area.
- Concern was raised that with the inclusion of the wider areas, that it might lead to a delay in the final creation of a Town Council.
- Councillors gave details of the background of the project and urged both councillors and officers to take action now to create a Town Council for the area.
- Councillors highlighted that it was Somerset West and Taunton Council's (SWT) responsibility to create a Town Council and that they did not want it left to the New Unitary Council.
- Councillors requested clarification on the 'gunning principle'.  
*Clarification was given.*
- Councillors queried what would happen if the recommendations were not passed at the meeting.  
*The Deputy Monitoring Officer gave advice that it would mean that the decision could not return to Full Council for six months but that the Working Group would continue with their project work and would consult with the New Unitary Council.*
- Councillors agreed that a Town Council should be created, as Taunton was the County Town which was located in the centre of the District. It was also important that the residents for that central location had proper representation.
- Councillors wanted to see the review carried out in a legal manner.
- Councillor J Hunt left the meeting.
- Councillors believed it was the wrong time to carry out a review but that SWT had been forced into action due to the creation of the New Unitary Council.
- Councillor C Palmer left the meeting.
- The meeting was adjourned at 8.10pm.
- The meeting restarted at 8.20pm.
- Somerset County Councillor, Rod Williams, apologised for the comments made in his public statement at the start of the meeting.
- Councillors agreed that the project should not be a political decision, but what was best for the local residents of Taunton.

- Concern was raised on the inequity of the local parishes compared to Taunton.
- Councillors wanted to ensure that all the local parishes were listened to and included in the phase two consultations.
- Councillors thanked the public speakers for their comments at the start of the meeting.

The recommendations, which are detailed below, were put and **CARRIED** with thirty-four for, four against and four abstaining:

**Resolved** that Full Council:-

- 2.1 That the Council confirms that it has considered and takes into account the responses received to the first stage consultation on the community governance review of the unparished area of Taunton and eight adjoining parishes together with the recommendations of the Community Governance Review Working Group as detailed below and in this report.
- 2.2 That the Council adopts and agrees to the Community Governance Review Working Group's preferred option for Taunton and the area under review for the purposes of conducting the Stage 2 Consultation. The draft recommendations of the Community Governance Review Working Group to be subject to a second round of consultation are as follows:
  - A. That a single parish be created to serve the currently unparished areas of Taunton and that in addition:
    - i. Comeytrove Parish Council be abolished, and the entire area of Comeytrove Parish be included within the boundary of the proposed new Taunton Parish.
    - ii. The Killams Green area, currently within Trull Parish Council area, be included within the boundary of the proposed new Taunton Parish.
    - iii. The part of the forthcoming development in the south-west corner of Taunton that currently falls within Trull Parish should be included within the boundary of the proposed new Taunton Parish.
    - iv. The boundary of Trull Parish to the north-west of Cotlake Hill be altered to follow the green wedge around the Sherford urban area, with the small area to the south of that boundary that is currently within the unparished area of Taunton becoming part of Trull Parish.
    - v. The area covered by the Maidenbrook Ward of Cheddon Fitzpaine Parish Council, including several sites earmarked for housing development in the near future, be included within the boundary of the proposed new Taunton Parish.
    - vi. The urban parts of Staplegrove Parish, including the entirety of the forthcoming development in the north-west corner of Taunton, be included within the boundary of the proposed new Taunton Parish.
    - vii. The slim part of Staplegrove Parish jutting to the west of Silk Mills Lane be included within the boundary of Norton Fitzwarren Parish.
    - viii. If the proposed changes bring about a remaining Staplegrove Parish area of fewer than 150 electors, that remaining area be merged with Kingston St. Mary Parish.
    - ix. A small southern portion of the Kingston St. Mary Parish area, representing that part of the proposed Staplegrove East development

that falls within the parish, be included within the boundary of the proposed new Taunton Parish.

- x. With the exception of Galmington Trading Estate and a small section south of the A38 near Rumwell, no part of Bishops Hull Parish should become part of the proposed new Taunton Parish, and the small triangular residential area at the cross-section with Wellington Road, currently within the unparished area, should become part of Bishops Hull Parish.
  - xi. The Hankridge Retail Park, Creech Castle and the associated Toneyway Road, currently within West Monkton Parish, be included within the boundary of the proposed new Taunton Parish, which should run along the railway to the M5.
  - xii. The boundary between Norton Fitzwarren Parish and Bishops Hull Parish, just north of Mill Cottages, be amended to follow the route of the railway line.
  - xiii. Further consideration be given to whether the current boundary between West Monkton and Cheddon Fitzpaine parishes between Maidenbrook and Yallands Hill south of the Country Park should be amended, for example by following the A3259 westwards to Maidenbrook Lane, in the light of any comments from the respective parish councils.
- B. That the new parish be named 'Taunton Parish' and that a parish council be established to serve the new parish with effect from 1 April 2023.
  - C. That with the exception of the area described at A(xi) above, the area of West Monkton Parish Council be completely removed from further consideration of the review and its inclusion in any new Taunton Parish/Town Council.
  - D. That the area of Norton Fitzwarren Parish Council be completely removed from further consideration of the review and its inclusion in any new Taunton Parish/Town Council.
  - E. That the first elections to the proposed new Parish/Town Council for Taunton should be held on the ordinary day of elections (the first Thursday in May) in 2023.
  - F. That the Council established to serve the proposed new Taunton Parish should have a council size of at least 20 councillors, with the final number to be determined in the context of the proposals to be developed in regard to the warding arrangements within the new parish.
  - G. That the proposed new Taunton Parish be warded and that draft proposals for the warding arrangements, and those of any other warded parishes in the area under review, be developed for inclusion in the second stage of consultation.
  - H. That no change be made to the number of Parish Councillors of any of the other continuing parishes within the area under review.
- 2.3 That a revised timetable for the second stage consultation and the remaining stages of the community governance review be agreed as set out in paragraph 11.3 to this report, including meeting(s) of the Working Group and Council, if necessary, to agree the final content of the second stage consultation.
- 2.4 That subject to 2.3 above, authority be delegated to the Chief Executive Officer and Monitoring Officer or Deputy, after consultation with the

Community Governance Review Working Group and the Leader of the Council to agree the detailed arrangements for the second stage consultation and to take any other action necessary to progress the community governance review in accordance with legislation and statutory guidance.

2.5 A plan illustrating the proposed changes to parish and ward boundaries that would result from implementation of the draft recommendations above is set out at Appendix A to this report. In addition, full details of the Working Group's considerations, the reasons for each of its recommendations and detailed maps illustrating each proposed change are at Appendix B to this report.

Those voting **FOR** the **MOTION**: Councillors I Aldridge, B Allen, M Blaker, C Booth, N Cavill, S Coles, C Ellis, E Firmin, S Griffiths, J Hassall, N Hawkins, R Henley, M Hill, D Johnson, M Kravis, R Lees, S Lees, L Lisgo, M Lithgow, D Mansell, S Nicholls, D Perry, M Peters, H Prior-Sankey, M Rigby, F Smith, F Smith-Roberts, A Sully, R Tully, S Wakefield, D Wedderkopp, B Weston, K Wheatley and L Whetlor.

Those voting **AGAINST** the **MOTION**: Councillors L Baker, M Barr, D Darch and V Stock-Williams.

Those **ABSTAINING** from voting: Councillors H Davies, R Habgood, S Pugsley and G Wren.

(The Meeting ended at 8.40 pm)



Report Number: SWT 53/22

## **Somerset West and Taunton Council**

### **Full Council – 29 March 2022**

#### **Somerset West and Taunton Council amended Political Allocation and Councillor Appointments to Committees**

**This matter is the responsibility of the Leader of the Council**

**Report Author: Amy Tregellas, Governance Manager and Monitoring Officer**

#### **1. Executive Summary / Purpose of the Report**

- 1.1 The purpose of this report is to amend the Council's numerical political allocation due to the following changes since the last update in July 2021:
- a) Cllr Marcus Kravis has re-joined the Liberal Democrat Group
  - b) Cllr Thomas Deakin winning the Wilton & Sherford Ward by-election replacing Cllr Alan Wedderkopp
  - c) Cllr Nicola Hawkins winning the Alcombe Ward by-election replacing Cllr Paul Bolton

#### **2. Recommendations**

##### **2.1 The Council approves the revised:**

- a) Political allocation as attached (Appendix A)
- b) Councillor appointments to Committees (Appendix B)

#### **3. Risk Assessment**

- 3.1 There are no risks associated with this report

#### **4. Background and Full details of the Report**

- 4.1 The Council last agreed the political allocation at the Annual Council meeting on the 7 September 2021.

- 4.2 The purpose of this report is to amend the Council's numerical political allocation following the changes set out in section 1.1 of this report.

- 4.3 As a result of this the political allocation has changed (attached as Appendix A) and there are some changes to the Councillor appointments to Committee (attached as Appendix B)

#### **5. Links to Corporate Strategy – N/A**

#### **6. Finance / Resource Implications**

- 7. **Legal Implications** - None
- 8. **Climate and Sustainability Implications** - None
- 9. **Safeguarding and/or Community Safety Implications** - None
- 10. **Equality and Diversity Implications** - None
- 11. **Social Value Implications** - None
- 12. **Partnership Implications** - None
- 13. **Health and Wellbeing Implications** - None
- 14. **Asset Management Implications** - None
- 15. **Data Protection Implications** - None
- 16. **Consultation Implications** - None
- 17. **Scrutiny/Executive Comments / Recommendation(s)** – N/A as this is a Council Report

**Democratic Path:**

- **Scrutiny / Corporate Governance or Audit Committees** – No not applicable as Council function only
- **Cabinet/Executive** – No not applicable as Council function only
- **Full Council** – Yes

**Reporting Frequency:** Ad-hoc

**List of Appendices (delete if not applicable)**

|            |                                      |
|------------|--------------------------------------|
| Appendix A | The revised Political Allocation     |
| Appendix B | Councillor appointments to Committee |

**Contact Officers**

|             |   |
|-------------|---|
| Name        | Amy Tregellas                             |
| Direct Dial | 01823 785034                              |
| Email       | a.tregellas@somersetwestandtaunton.gov.uk |

**POLITICAL ALLOCATION – 24 February 2022**

|                             | Totals          | Liberal Democrats (LD)<br>32 | Independent + Green (I+G)<br>14 | Conservative (Con)<br>10 | Labour (Lab)<br>3  |                                      |
|-----------------------------|-----------------|------------------------------|---------------------------------|--------------------------|--------------------|--------------------------------------|
| % based on membership of 59 | 100             | 54.24%                       | 23.73%                          | 16.95%                   | 5.08%              |                                      |
| Committee Seats             | 80              | 43.39<br><b>(43)</b>         | 18.98<br><b>(19)</b>            | 13.56<br><b>(14)</b>     | 4.06<br><b>(4)</b> |                                      |
|                             |                 |                              |                                 |                          |                    |                                      |
| Committee                   | No on Committee | LD<br><b>(43)</b>            | I+G<br><b>(19)</b>              | Con<br><b>(14)</b>       | Lab<br><b>(4)</b>  | Total                                |
| Corporate Scrutiny          | 15              | 8.06 (8)                     | <b>3.56 (4)</b>                 | <b>2.62 (3)</b>          | 0.75 (1)           | 16 - <i>Need to reduce by 1 seat</i> |
| Community Scrutiny          | 15              | 8.06 (8)                     | <b>3.56 (4)</b>                 | <b>2.62 (3)</b>          | 0.75 (1)           | 16 - <i>Need to reduce by 1 seat</i> |
| Audit and Governance        | 11              | 5.91 (6)                     | 2.61 (3)                        | 1.92 (2)                 | 0.55 (0)           | 11                                   |
| Planning                    | 15              | 8.06 (8)                     | <b>3.56 (4)</b>                 | <b>2.62 (3)</b>          | 0.75 (1)           | 16 - <i>Need to reduce by 1 seat</i> |
| Licensing                   | 15              | 8.06 (8)                     | <b>3.56 (4)</b>                 | <b>2.62 (3)</b>          | 0.75 (1)           | 16 - <i>Need to reduce by 1 seat</i> |
| Standards                   | 9               | 4.84 (5)                     | 2.13 (2)                        | 1.58 (2)                 | 0.45 (0)           | 9                                    |
| <b>Total</b>                | <b>80</b>       | <b>43</b>                    | <b>21</b>                       | <b>16</b>                | <b>4</b>           | <b>84</b>                            |
|                             |                 | 0                            | <b>+2</b>                       | <b>+2</b>                | 0                  | +4                                   |

In terms of dealing with the rounding issues for the Committees, the following needs to be discussed by Cllr Wren and Cllr Habgood:

The rounding from the calculations means that the Independent and Green Group (I+G) has 21 seats when they are only entitled to 19 and the Conservatives have 16 when they are only entitled to 14.

The rounding also means that the following Committee currently have 16 seats when they should only have 15:

- Corporate Scrutiny Committee
- Community Scrutiny Committee
- Planning Committee
- Licensing Committee

This means that:

The I+G Group will need to have 4 seats on two of the above listed committees and 3 seats on the other two

The Conservative Group will need to have 3 seats on two of the above listed committees and 2 seats on the other two

**Political Allocation following Group Leaders discussions**

|                             |                 |                              |                                 |                          |                    |           |
|-----------------------------|-----------------|------------------------------|---------------------------------|--------------------------|--------------------|-----------|
|                             | Totals          | Liberal Democrats (LD)<br>32 | Independent + Green (I+G)<br>14 | Conservative (Con)<br>10 | Labour (Lab)<br>3  |           |
| % based on membership of 59 | 100             | 54.24%                       | 23.73%                          | 16.95%                   | 5.08%              |           |
| Committee Seats             | 80              | 43.39<br><b>(43)</b>         | 18.98<br><b>(19)</b>            | 13.56<br><b>(14)</b>     | 4.06<br><b>(4)</b> |           |
|                             |                 |                              |                                 |                          |                    |           |
| Committee                   | No on Committee | LD<br><b>(43)</b>            | I+G<br><b>(19)</b>              | Con<br><b>(14)</b>       | Lab<br><b>(4)</b>  | Total     |
| Corporate Scrutiny          | 15              | 8.06 (8)                     | 3.56 (4)                        | 2.62 (2)                 | 0.75 (1)           | 15        |
| Community Scrutiny          | 15              | 8.06 (8)                     | 3.56 (3)                        | 2.62 (3)                 | 0.75 (1)           | 15        |
| Audit and Governance        | 11              | 5.91 (6)                     | 2.61 (3)                        | 1.92 (2)                 | 0.55 (0)           | 11        |
| Planning                    | 15              | 8.06 (8)                     | 3.56 (4)                        | 2.62 (2)                 | 0.75 (1)           | 15        |
| Licensing                   | 15              | 8.06 (8)                     | 3.56 (3)                        | 2.62 (3)                 | 0.75 (1)           | 15        |
| Standards                   | 9               | 4.84 (5)                     | 2.13 (2)                        | 1.58 (2)                 | 0.45 (0)           | 9         |
| <b>Total</b>                | <b>80</b>       | <b>43</b>                    | <b>19</b>                       | <b>14</b>                | <b>4</b>           | <b>80</b> |
|                             |                 | 0                            | 0                               | 0                        | 0                  | 0         |



## Committee Composition for 2021/22 (Current)

| Executive                   | Portfolio Holder                            |
|-----------------------------|---|
| Cllr Federica Smith-Roberts | Leader of the Council and Communications    |
| Cllr Derek Perry            | Deputy Leader and Sports, Parks and Leisure |
| Cllr Chris Booth            | Community                                   |
| Cllr Dixie Darch            | Climate Change                              |
| Cllr Caroline Ellis         | Culture                                     |
| Cllr Ross Henley            | Corporate Resources                         |
| Cllr Marcus Kravis          | Asset Management and Economic Development   |
| Cllr Mike Rigby             | Planning and Transportation                 |
| Cllr Francesca Smith        | Housing                                     |
| Cllr Andrew Sully           | Environmental Services                      |

| Corporate Scrutiny Committee    |
|---------------------------------|
| Cllr Benet Allen                |
| Cllr Simon Coles                |
| Cllr Habib Farbahi              |
| Cllr Ed Firmin                  |
| Cllr Barrie Hall                |
| Cllr John Hassall               |
| Cllr Danny Wedderkopp           |
| Cllr Ian Aldridge               |
| Cllr Sue Buller                 |
| Cllr Loretta Whetlor            |
| Cllr Gwil Wren (Chair)          |
| Cllr Marcus Barr                |
| Cllr Norman Cavill              |
| Cllr Nick Thwaites (Vice Chair) |
| Cllr Libby Lisgo                |

| Community Scrutiny Committee   |
|--------------------------------|
| Cllr Simon Coles               |
| Cllr Thomas Deakin             |
| Cllr Steve Griffiths           |
| Cllr Dawn Johnson              |
| Cllr Richard Lees              |
| Cllr Mark Lithgow              |
| Cllr Ray Tully                 |
| Cllr Sarah Wakefield           |
| Cllr John Hunt                 |
| Cllr Janet Lloyd               |
| Cllr Dave Mansell (Vice Chair) |
| Cllr Andy Pritchard            |
| Cllr Andy Milne                |
| Cllr Vivienne Stock-Williams   |
| Cllr Libby Lisgo (Chair)       |

| Planning Committee            |
|-------------------------------|
| Cllr Simon Coles (Chair)      |
| Cllr Ed Firmin                |
| Cllr John Hassall             |
| Cllr Marcia Hill (Vice Chair) |
| Cllr Mark Lithgow             |
| Cllr Ray Tully                |
| Cllr Sarah Wakefield          |
| Cllr Keith Wheatley           |
| Cllr Ian Aldridge             |
| Cllr Mark Blaker              |
| Cllr Craig Palmer             |
| Cllr Loretta Whetlor          |
| Cllr Roger Habgood            |
| Cllr Chris Morgan             |
| Cllr Brenda Weston            |

| Licensing Committee           |
|-------------------------------|
| Cllr Simon Coles              |
| Cllr John Hassall             |
| Cllr Marcia Hill              |
| Cllr Sue Lees                 |
| Cllr Mark Lithgow (Chair)     |
| Cllr Ray Tully                |
| Cllr Keith Wheatley           |
| Vacant (was Cllr Paul Bolton) |
| Cllr Janet Lloyd (Vice Chair) |
| Cllr Craig Palmer             |
| Cllr Loretta Whetlor          |
| Cllr Marcus Barr              |
| Cllr Andrew Hadley            |
| Cllr Anthony Trollope-Bellew  |
| Cllr Brenda Weston            |

| <b>Audit and Governance Committee</b> |
|---------------------------------------|
| Cllr Lee Baker (Chair)                |
| Cllr Simon Coles                      |
| Cllr Ed Firmin (Vice Chair)           |
| Cllr Dawn Johnson                     |
| Cllr Martin Peters                    |
| Cllr Sarah Wakefield                  |
| Cllr Hugh Davies                      |
| Cllr Janet Lloyd                      |
| Cllr Terry Venner                     |
| Cllr Andrew Milne                     |
| Cllr Steven Pugsley                   |

| <b>Standards Committee</b>   |
|------------------------------|
| Cllr Lee Baker               |
| Cllr Richard Lees            |
| Cllr Mark Lithgow            |
| Cllr Martin Peters           |
| Cllr Sarah Wakefield         |
| Cllr Hugh Davies             |
| Cllr Terry Venner            |
| Cllr Steven Pugsley          |
| Cllr Anthony Trollope-Bellew |
| Independent Member           |
| Independent Member           |
| T&P Council Rep              |
| T&P Council Rep              |

## Committee Composition March 2022

| Executive                   | Portfolio Holder                            |
|-----------------------------|---|
| Cllr Federica Smith-Roberts | Leader of the Council and Communications    |
| Cllr Derek Perry            | Deputy Leader and Sports, Parks and Leisure |
| Cllr Chris Booth            | Community                                   |
| Cllr Dixie Darch            | Climate Change                              |
| Cllr Caroline Ellis         | Culture                                     |
| Cllr Ross Henley            | Corporate Resources                         |
| Cllr Marcus Kravis          | Asset Management and Economic Development   |
| Cllr Mike Rigby             | Planning and Transportation                 |
| Cllr Francesca Smith        | Housing                                     |
| Cllr Andrew Sully           | Environmental Services                      |

| Corporate Scrutiny Committee |
|------------------------------|
| Cllr Benet Allen             |
| Cllr Simon Coles             |
| Cllr Habib Farbahi           |
| Cllr Ed Firmin               |
| Cllr John Hassall            |
| Cllr Nicola Hawkins          |
| Cllr Simon Nicholls          |
| Cllr Danny Wedderkopp        |
| Cllr Ian Aldridge            |
| Cllr Sue Buller              |
| Cllr Loretta Whetlor         |
| Cllr Gwil Wren (Chair)       |
| Conservative                 |
| Conservative                 |
| Cllr Libby Lisgo             |

| Community Scrutiny Committee   |
|--------------------------------|
| Cllr Simon Coles               |
| Cllr Thomas Deakin             |
| Cllr Steve Griffiths           |
| Cllr Dawn Johnson              |
| Cllr Richard Lees              |
| Cllr Mark Lithgow              |
| Cllr Ray Tully                 |
| Cllr Sarah Wakefield           |
| Cllr Janet Lloyd               |
| Cllr Dave Mansell (Vice-Chair) |
| Cllr Andrew Pritchard          |
| Conservative                   |
| Conservative                   |
| Conservative                   |
| Cllr Libby Lisgo (Chair)       |

| Planning Committee   |
|----------------------|
| Cllr Simon Coles     |
| Cllr Ed Firmin       |
| Cllr John Hassall    |
| Cllr Marcia Hill     |
| Cllr Mark Lithgow    |
| Cllr Ray Tully       |
| Cllr Sarah Wakefield |
| Cllr Keith Wheatley  |
| Cllr Ian Aldridge    |
| Cllr Mark Blaker     |
| Cllr Craig Palmer    |
| Cllr Loretta Whetlor |
| Cllr Roger Habgood   |
| Cllr Chris Morgan    |
| Cllr Brenda Weston   |

| Licensing Committee                       |
|---|
| Cllr Simon Coles                          |
| Cllr John Hassall                         |
| Cllr Marcia Hill                          |
| Cllr Sue Lees                             |
| Cllr Mark Lithgow                         |
| Cllr Ray Tully                            |
| Cllr Keith Wheatley                       |
| Vacant due to political allocation change |
| Cllr Janet Lloyd (Vice-Chair)             |
| Cllr Craig Palmer                         |
| Cllr Loretta Whetlor                      |
| Cllr Marcus Barr                          |
| Cllr Andrew Hadley                        |
| Cllr Anthony Trollope-Bellew              |
| Cllr Brenda Weston                        |

| <b>Audit and Governance Committee</b> |
|---------------------------------------|
| Cllr Lee Baker                        |
| Cllr Simon Coles                      |
| Cllr Ed Firmin                        |
| Cllr Dawn Johnson                     |
| Cllr Martin Peters                    |
| Cllr Sarah Wakefield                  |
| Cllr Hugh Davies                      |
| Cllr Janet Lloyd                      |
| Cllr Terry Venner                     |
| Cllr Andrew Milne                     |
| Cllr Steven Pugsley                   |

| <b>Standards Committee</b>   |
|------------------------------|
| Cllr Lee Baker               |
| Cllr Richard Lees            |
| Cllr Mark Lithgow            |
| Cllr Martin Peters           |
| Cllr Sarah Wakefield         |
| Cllr Hugh Davies             |
| Cllr Terry Venner            |
| Cllr Steven Pugsley          |
| Cllr Anthony Trollope-Bellew |
| Independent Member           |
| Independent Member           |
| T&P Council Rep              |
| T&P Council Rep              |

*Report Number: SWT 54/22*

## **Somerset West and Taunton Council**

### **Full Council – 29 March 2022**

#### **Decision taken under the urgency rules regarding the Additional Restrictions Grant Scheme**

**This matter is the responsibility of Executive Councillor Member Marcus Kravis**

**Report Author: Gordon Dwyer, Economic Development Specialist**

#### **1 Executive Summary**

- 1.1 This report details the decision taken on 12 January 2022 by the Chief Executive under the urgency rules contained within paragraph 5 of the Budget and Policy Framework within the Council's Constitution. The Decision is attached as Appendix A.
- 1.2 In summary, the decision agreed to include a third 'top-up' amount of £305,025 Additional Restrictions Grant (ARG) funding, received from Government in January 2022, within the scope of the Council's ARG scheme and processes.
- 1.3 The Omicron variant had been identified in the UK in late November and was noted to be spreading rapidly. Nationally, some Covid measures were re-tightened, such as compulsory use of face coverings in shops and on public transport and the advisory message to the public from Government was to limit social contact. As the public heeded the message, certain businesses, particularly those offering face-to-face services became negatively impacted.
- 1.4 In recognition, the Government announced that in January 2022 a top up payment of ARG funding would be made available to Local Authorities, stipulating that funds needed to be spent (i.e. appropriately disseminated to affected businesses to provide support for the immediate situation) by 31 March 2022. Any unspent funds at the time of the cut-off date would have to be returned to Government.
- 1.5 There was insufficient time to seek approval for use of the funds through the normal democratic processes as doing so would have significantly delayed our ability to make payments to businesses.
- 1.6 Addition of the top-up amount to the original ARG budget was therefore agreed under the urgency provisions by the Chief Executive with the consent of the Chair of Scrutiny. The relevant Portfolio Holder, Cllr Kravis, was also

consulted.

- 1.7 The Constitution provides that, where urgent decisions are taken, a full report is made to the next available Council meeting to explain the decision, the reasons for it and why it had to be treated as a matter of urgency.
- 1.8 There are no direct climate implications arising from these decisions.

## **2 Recommendations**

- 2.1 Council is asked to note the decision made by the Chief Executive on 12 January 2022 under paragraph 5 of the Budget and Policy Framework within the Council's Constitution in relation to the release of funds to the Additional Restrictions Grant Scheme.

## **3 Risk Assessment**

- 3.1 The key risk both we and Government are trying to mitigate through the award of grant funding is the damage to the local economy and community resulting from businesses ceasing to trade as a result of the financial impact of Covid-19. Consequently, it was vital that funds were made available for our local discretionary scheme for it to continue to support the business affected by the Covid restrictions.

## **4 Background and Full Details of the Report**

### **Third Top-Up Extension of Budget for Somerset West and Taunton Council's Additional Restrictions Grant (ARG) scheme (Discretionary Covid Business Grants Fund)**

- 4.1 In November 2020 the Council set up an Additional Restrictions Grant (ARG) Scheme budget to provide financial support to businesses where they had suffered financial loss as a result of the Government's Covid-19 restrictions.
- 4.2 A scheme policy was adopted which set out initial criteria for the scheme and gave authorisation to the Director of Development and Place to make amendments to the scheme. This ensured that, if necessary, the scheme would be able to adapt rapidly to changes in line with Covid restrictions and resultant business need, or other Government guidance for the scheme.
- 4.3 Originally, a budget of £3,102,300 was provided by Government. The budget was used to provide support to businesses that had been affected by Covid-19 restrictions but would not qualify for the Government's mandatory schemes.
- 4.4 As the epidemic progressed, greater demand was put on the fund than initially anticipated and further amounts for the ARG fund were announced by Government. The first top-up amount of £1,377,895 was provided in January 2021. A second top up amount of £1,281,419 was provided in June 2021 once evidence of full spend of the funds up to this point had been submitted.

At each point an urgency decision was made to add the additional funding to the Council's ARG budget and Councillors made fully aware at the next Full Council meeting.

- 4.5 In late December 2021 the Government announced that a third ARG top up payment to Local Authorities may be made available. This was clarified in January 2022. Guidance stipulated that funds needed to be spent i.e. appropriately disseminated to affected businesses to provide support for the immediate situation, by 31 March 2022. Any unspent funds at the time of the cut-off date would have to be returned to Government.
- 4.6 The Urgency decision in January 2022 to include the third top-up amount of £305,025 within the scope of the Council's ARG scheme and process, was therefore required to ensure that funds were available to be disseminated to businesses.
- 4.7 The decision was agreed by the Chief Executive and made in consultation with the Portfolio Holder, Cllr Kravis. The Chair of the Scrutiny Committee, Cllr Wren, was consulted and agreed that the decision was required as a matter of urgency.

#### **Grant Processing and Utilisation of the Fund**

- 4.8 The local policy developed for the scheme has followed Government guidance and prescribed criteria. In taking decisions on the appropriate level of grant, Government has encouraged Local Authorities to take into account the level of fixed costs faced by the business, the number of employees, whether the business is able to continue trading and the consequent scale of coronavirus losses.
- 4.9 We have used these principals to determine the grant award levels. This has ensured there is proportionality between the level of the award made against the circumstances of the business.
- 4.10 Over the course of the pandemic, as restrictions have been lifted and tightened, the scheme criteria have been periodically reviewed to ensure that it has supported the business sectors which were most affected at the time.
- 4.11 The initial scheme (from Nov 2020) was originally open to all business sectors and assisted businesses within and outside of the business rates system. By April 2021 as businesses in certain sectors were permitted to reopen, the scheme continued under the same policy, but was left open only to those businesses sectors which continued to be affected by restrictions.
- 4.12 With the funds becoming more limited by January and February 2022, and businesses affected by public behaviours rather than closure restrictions, support offered in the final rounds became further targeted by business sector and was also limited to businesses with a business rated account only.
- 4.13 Our external auditors at SWAP have been involved with developing initial

verification processes. Other checks have been built into the process at relevant points to prevent fraud. This includes the use of the ‘Spotlight’ system provided by Government which checks against limited company registrations, National Fraud Initiative (NFI) checks which help identify potential bank fraud, and our own internal checks to pick up any duplication of bank accounts against all applications.

### **Scheme Position at March 2022**

- 4.14 The third top up amount along with any remaining budget funds were disseminated throughout January and February 2022 with all outstanding application administration and payments completed by 10 March 2022.
- 4.15 The scheme has provided financial support totalling £6,066,639 in 4,267 separate grant payments to over 1,560 businesses. These are businesses which either would not have qualified for the Government’s mandatory schemes, or did not qualify at the time that a particular round of the ARG scheme was made available.

## **5 Links to Corporate Strategy**

- 5.1 The effective and quick distribution of grant funding supports the economic and community objectives in our strategy.

## **6 Finance / Resource Implications**

- 6.1 The grant funding is provided by Government and they have also provided new burdens funding to help towards administration costs. The ARG scheme has been designed in such a way as to limit the availability of grants against the funding provided by Government.
- 6.2 The table below provides a summary of the Additional Restrictions Grant funding received and the spend across the two financial years.

|   | £                |
|---|------------------|
| ARG Initial Funding (received Nov 20)                     | 3,102,300        |
| ARG First Top Up Funding (received Jan 21)                | 1,377,895        |
| ARG Second Top Up Funding (received Jun 21)               | 1,281,419        |
| ARG Third Top Up Funding (received Jan 22)                | 305,025          |
| <b>Total ARG Funding Budget</b>                           | <b>6,066,639</b> |
| Total of Grants paid to businesses in 2020/21 and 2021/22 | 6,066,639        |
| Balance of funds (at 10 March 2022)                       | 0                |

## **7 Legal Implications**

- 7.1 The decision-making process for agreeing the allocation of the funding for the stated purpose is in alignment with the Constitution.

## **8 Climate and Sustainability Implications**

- 8.1 There are no specific climate or sustainability implications relating to these decisions.

## **9 Safeguarding and/or Community Safety Implications**

- 9.1 There are no direct safeguarding or community safety implications relating to these decisions, although the scheme could enable us to provide financial support to help maintain businesses or charities which offer medical services or other community support services.

## **10 Equality and Diversity Implications**

- 10.1 There are no specific equality and diversity implications relating to these decisions, but the scheme could enable us to provide financial support to businesses which offer support services.

## **11 Social Value Implications**

- 11.1 There are no specific social value implications relating to these decisions. However, one of the ARG grant schemes principal purposes is to help target funding at small locally based/independent businesses.

## **12 Partnership Implications**

- 12.1 There are no specific partnership implications relating to these decisions. However, we have worked closely with organisations such as the Taunton Chamber of Commerce and Minehead BID Group in order to publicise the availability of grants. We have also worked closely with the Economic Development departments of other Somerset Local Authorities to broadly align schemes where possible.

## **13 Health and Wellbeing Implications**

- 13.1 The grant funding is specifically intended to support businesses and help them to survive through very uncertain times. By providing some stability this has positive well-being benefits for business owners, employees of those businesses and the wider community. Our local qualifying criteria to access the ARG scheme has been defined with this in mind.

## **14 Asset Management Implications**

- 14.1 There are no asset management implications relating to these decisions.

## **15 Data Protection Implications**

15.1 There are no specific data protection implications relating to these decisions.

## **16 Consultation Implications**

16.1 The timescales requested by Government prohibited any significant consultation. However, the top-up was discussed in conjunction with the Portfolio Holder.

## **16 Scrutiny Comments / Recommendation(s)**

16.1 These decisions were taken under the urgency rules within the Constitution and, as such, were not formally considered by Scrutiny. In accordance with the Constitution the Chair of Scrutiny was consulted regarding the requirement for urgent decisions and consented to the decision being made by the Chief Executive.

### **Democratic Path:**

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

**Reporting Frequency:**  **Once only**

### **List of Appendices**

|            |  |
|------------|--|
| Appendix A | Record of Decision taken by the Chief Executive on 12 <sup>th</sup> January 2022 |
|------------|--|

### **Contact Officers**

|             |  |
|-------------|--|
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| Direct Dial | 07881 218 674  |
| Email       | <a href="mailto:g.dwyer@somersetwestandtaunton.gov.uk">g.dwyer@somersetwestandtaunton.gov.uk</a> |

## Record of Decision taken by Chief Executive/Director

**Decision title:** Third 'Top-Up' Payment to extend the Budget for Somerset West and Taunton Council's Additional Restrictions Grant scheme (Discretionary Covid Business Grants Fund)

**Chief Executive/Director making the decision:** Andrew Pritchard

**Author Contact Details:** Gordon Dwyer  
Tel: 07881 218 674  
e-mail: [g.dwyer@somersetwestandtaunton.gov.uk](mailto:g.dwyer@somersetwestandtaunton.gov.uk)

**Date of Decision:** 12 January 2022

### Details of decision:

The Chief Executive has agreed to include within the scope of the Council's Additional Restrictions Grant (ARG) scheme a third 'top-up' payment of £305,025.57

The funding for this purpose is to be received from Government in January 2022 and will be used with immediate effect to provide directed financial support to businesses that remain impacted by the Covid restrictions.

This decision has been taken in accordance with the urgent decisions provision contained in paragraph 5 of the Budget and Policy Framework of the Council's Constitution because it is not practical to convene a quorate Full Council meeting within the required timeframe.

The Chair of the Scrutiny Committee, Cllr Wren, has been consulted and agrees that this decision is required as a matter of urgency and that it is appropriate for it to be made under the urgency provisions. A report will be made to the next available Full Council meeting to explain the reasons for the urgent decision.

### Background

In November 2020 an SWT set up an Additional Restrictions Grant (ARG) Scheme to provide financial support to businesses where they had suffered financial loss as a result of the Government's Covid-19 restrictions.

This was originally set up through an Urgency decision. The initial amount was £3,102,300 and the Urgency decision included the set-up of a budget and policy. The policy included the delegated authority to the Director of Development and Place to amend the scheme criteria should the need arise in line with the shape of restrictions/business need. In line with Council processes, the Urgency decision was then brought to the next Full Council for Councillor attention.

SWT has received two further 'top-up' amounts of ARG funding from Government since then as the pandemic has progressed and restrictions have been extended; £1,377,895 in January 2021 and £1,281,419 in June 2021. For each of the top up amounts received, due to the need to get the funds to businesses quickly, we have followed the process of making an Urgency Decision to add the funding to the existing ARG budget and following this up with a report to Full Council.

Putting the funds within the scope of the existing scheme has meant that officers have been able to turn around changes to funding criteria quickly with the sign off from the

Director of Development and Place. This has been done on a number of times over the past year, as national restrictions have been amended and the types of businesses affected have changed. Each change to criteria has been taken in consultation with either the Portfolio Holder for Economic Regeneration or the Leader of the Council.

The Government announced that Local Authorities will receive a third top up amount of ARG funding in January 2022. The amount for SWT is £305,025.57. This needs to be spent by 31 March 2022 (i.e disseminated to businesses) or otherwise returned to Government.

The Urgency Decision is therefore required in order to ensure that there is sufficient time to allocate funds, sign off a scheme, implement an application process and make payments within the tight timeframe determined by Government.

**Government guidance:**

The current guidance can be viewed at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1044351/additional-restrictions-grant-la-guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1044351/additional-restrictions-grant-la-guidance.pdf)

**Reasons for proposed decision:**

Extending the budget provides an approach to awarding the discretionary grant funding which:

- Delivers on the Government expectation of a quick response in providing business support
- Manages the expectations of businesses
- Ensures there is sufficient budget available to award the appropriate funding to businesses in line with SWT policy

**Alternative options considered and rejected:**

The decision is to approve an extension to an existing budget, utilising funds provided by Government for the specific purposes of business support. Existing policies and mechanisms of amendment are in place and Full Council has previously been informed and has agreed these.

The timescales required to take the decision to Full Council would run the risk of delaying the provision of support to businesses and potentially delay payments. The Government has stated that any ARG funding which remains unspent by 31 March 2022 must be returned to Government, so the decision has also been taken mindful of the need to achieve spend by 31 March deadline.

| The below has been completed:   | Name(s)   | Date       |
|---|---|------------|
| Relevant Portfolio Holder(s) consulted  | Cllr Kravis   | 11/01/2022 |
| Relevant ward councillor(s) consulted   | This potentially affects all wards & there is insufficient time to consult all Members  | NA         |
| <b>The following are if appropriate / applicable: Yes/No. If yes the implications should be attached to this decision notice.</b> |   |            |
| Finance implications  | No, as the scheme will allow us to keep the cost within the funding provided  |            |
| Legal implications  | No  |            |
| Links to corporate aims   | Yes, helps to support the local economy   |            |
| Community Safety implications   | No  |            |
| Environmental implications  | No  |            |
| Equalities Impact<br>Safeguarding Implications  | A specific EIA has not been undertaken due to time constraints for launching this scheme. No disproportionate impacts are anticipated to affect any of the protected groups. There are NO safeguarding implications |            |
| Risk management   | The scheme will contain appropriate measures to help prevent fraud including pre and past payment checks.   |            |
| Partnership implications  | None  |            |

**Any conflicts of interest declared by Leader or Portfolio Holders consulted on the proposed decision. If Yes provide confirmation from Chief Executive to grant dispensation for the Leader's / Portfolio Holder's views to be considered.**

The Portfolio Holder declared an interest, but this was checked with Governance and was found not to be relevant to this decision. The decision is to add funds to the Additional Restrictions Grant budget, but does not set out what the criteria for the scheme will be.

### **Financial Implication Summary**

The funding for this scheme (£305,025.57) is provided by Central Government. The administration of the scheme will be designed in a way that prevents us from spending more than the allocated funding.

Central Government will be providing funding under the New Burdens funding arrangements to cover the administration costs.

**Decision Maker**

I am aware of the details of this decision(s), considered the reasons, options, representations and consultation responses and give my approval / agreement to its implementation.



**Signed:** \_\_\_\_\_

**Name:** Andrew Pritchard

**Date:** 12/01/2022

Note – This decision record is for decisions taken by Chief Executive/Director. The decision(s) can be implemented in accordance with the approved delegations.

**Note:** *A copy should also be sent to the Governance Team – [governance@somersetwestandtaunton.gov.uk](mailto:governance@somersetwestandtaunton.gov.uk)*

# Somerset West and Taunton Council

## Full Council – 29 March 2022

### Budget Approval – Electric Vehicle Charging Points

This matter is the responsibility of Executive Councillor Dixie Darch

Report Author: Sue Tomlinson, Programme Manager for Climate Change

#### 1 Executive Summary / Purpose of the Report

- 1.1 In line with the Council's financial regulations, this report seeks to confirm and regularise the capital budget required for the rollout of the Electric Vehicle Charging Points. This project does not require any new funding or borrowing.
- 1.2 As part of 2021/22 budget monitoring, £150k supplementary capital budget was identified and approved for this project. At the time, the full cost and financing of this project were still being realised.
- 1.3 The capital costs for the project are now forecast to be £270k, £134k is funded from the CNCR budget and the remainder £136k is secured funding from a successful grant bid with OZEV (Office for Zero Emission Vehicles).
- 1.4 Full Council approval is required as this now represents two supplementary budget allocations which total more than £250k.

#### 2 Recommendations

- 2.1 It is recommended that Full Council support the supplementary capital budget allocation of £120k, making a total of £270k of which £136k is secured funding from OZEV.

#### 3 Background and Full details of the Report

- 3.1 Somerset West and Taunton Council declared a climate emergency in February 2019 and adopted the Countywide Emergency Strategy in October 2020.
- 3.2 Electric vehicle charging points were identified as a priority area within the strategy and external consultants WSP were commissioned on behalf of Somerset County Council and the 4 District Councils to produce a Countywide Electric Vehicle Charging Strategy, to help deliver an effective electric vehicle charging network for Somerset.
- 3.3 The strategy identifies numerous car parks where it recommends the installation of electric vehicle charging points within Somerset West and Taunton and it was adopted in December 2020.
- 3.4 A project manager within the climate change programme was allocated the project to

progress the feasibility of implementing electric vehicle charging points.

- 3.5 Using the Countywide Electric Vehicle Charging Strategy as a baseline, 9 car parks were identified to be included in the phase one project, these were Belvedere Road, Wood Street and Castle Street in Taunton, North Street in Wellington, North Street in Wiveliscombe, Williton Central, Porlock Central, North Street in Minehead and Swain Street in Watchet.
- 3.6 Installing charge points in these locations will provide wider access to charging infrastructure across the district.
- 3.7 Following a period of exploring the market and obtaining budget estimates it was decided to procure the electric vehicle charging points via the ESPO (363) Framework, by direct award contract to SWARCO.
- 3.8 There were several reasons why the purchase option was chosen, they were Somerset West and Taunton retain control, future expansion would not be limited by exclusion zones, the council would not be tied into long term agreements, planning permission was not required under permitted development rights, integration after unitary would be easier by selecting OCPP (open charge point protocol) compliant products and there was the potential for OZEV funding for 75% of the capital costs for on-street public charge points.
- 3.9 Officers applied for and were successful in securing OZEV funding to the value of £136k for the on-street public charge point element of the project.
- 3.10 Installation works started in November 2020 and will be complete during Q1 2022/23, most locations are receiving 2 x 22kw (fast) double headed charge points apart from North Street in Wiveliscombe and Swain Street in Watchet where there will be one.

#### **4 Links to Corporate Strategy**

- 4.1 The electric vehicle charging point project links directly to a number of corporate strategies and priorities.
- 4.2 Corporate priority 'Our Environment and Economy' - work towards making our District carbon neutral by 2030 - deliver projects based on a Carbon Neutrality and Climate Resilience Plan that work toward this goal.
- 4.3 The Countywide Emergency Strategy, the Countywide Electric Vehicle Charging Strategy, and our own Carbon Neutrality and Climate Resilience action plan.

#### **5 Finance / Resource Implications**

- 5.1 There are no financial implications, other than achieving compliance with the Council's financial regulations. There is no new funding or borrowing required.

#### **Democratic Path:**

- **Executive – Yes (16 March 2022)**
- **Full Council – Yes (29 March 2022)**

**Reporting Frequency: Once only**

**Contact Officers**

|             |   |
|-------------|---|
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# Somerset West and Taunton Council

## Full Council – 29 March 2022

### Annual Pay Policy Statement 2022/23

This matter is the responsibility of Executive Councillor Cllr Ross Henley

Report Author: Nicky Rendell HR Specialist and Tony Bryant Strategic HR Lead

#### 1 Executive Summary / Purpose of the Report

- 1.1 Section 38 (1) of the Localism Act 2011 establishes a statutory requirement for local authorities to prepare and publish a pay policy statement for each financial year, approved by Full Council.
- 1.2 The pay policy statement describes the pay arrangements and policies that relate to the pay of the workforce which serves Somerset West & Taunton Council. The statement describes the arrangements for senior staff and its lowest paid employees.

#### 2 Recommendations

- 2.1 It is recommended that the Pay Policy statement 2022/23 is approved by Full Council.

#### 3 Risk Assessment (if appropriate)

- 3.1 Failure to approve an annual pay policy statement would be a breach of the council's statutory duty

#### 4 Background and Full details of the Report

- 4.1 Section 38 (1) of the Localism Act 2011 requires local authorities to prepare and publish a pay policy statement for each financial year, approved by Full Council.
- 4.2 The pay policy statement has been drafted for approval in advance of the 31<sup>st</sup> March 2022 to ensure that the Council complies with the requirements of the above Act.
- 4.3 The data detailed in the Pay Policy statement reflects the pay award 2021/22. Chief Executive and Chief Officers received a pay award of 1.5% and all other employees received a pay award of 1.75%.
- 4.4 The council recognises the Living Wage Foundation therefore the lowest hourly wage for a current employee is £10.81 per hour.
- 4.5 The ratios between the senior pay of the Chief Executive, Directors and Assistant Directors and the lowest paid employee all remain the same as the previous year. The mean average salary per full time employee is £32,573.82 and the median average

salary per full time employee is £30,995.00, slight increases on last year's report.

4.6 There have been no updates to pension discretions

## 5 Links to Corporate Strategy

5.1 The council has a statutory duty to approve a pay policy statement on an annual basis to comply with Section 38 (1) of the Localism Act 2011.

## 6 Finance / Resource Implications

6.1 There are no finance or resource implications of this report.

## 7 Legal Implications

7.1 The council has a statutory duty to approve a pay policy statement on an annual basis to comply with Section 38 (1) of the Localism Act 2011. Failure to publish the statement before 31 March 2022 would result in the council being in breach of their statutory duty. The pay policy statement will be published on the council website, once approved by Full Council.

## 8 Equality and Diversity Implications

8.1 The principles of equal pay have been fully considered in the production of this statement. The pay award will be negotiated at a national level and is applicable to all employees.

### Democratic Path:

- **Scrutiny / Audit and Governance Committee – No**
- **Executive – Yes (16/03/2022)**
- **Full Council – Yes (29/03/2022)**

### Reporting Frequency: Annually

### List of Appendices (background papers to the report)

|            |  |
|------------|--|
| Appendix A | Pay policy explanations & remuneration of senior staff |
| Appendix B | Grading structure                                      |
| Appendix C | LGPS Employers Discretions & Key Pensions policy       |
| Appendix D | Redundancy Policy                                      |
| Appendix E | Compensation Policy                                    |
| Appendix F | Flexible Retirement Policy                             |

### Contact Officers

|             |  |
|-------------|--|
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## Appendix A

### 1. Background

The Pay Policy Statement is intended to bring together sufficient information about the different elements of the local authority's pay policies to enable local taxpayers to reach an informed view about local decisions on all aspects of pay and reward for employees. It also provides the context for the more detailed financial information that is already published by local authorities under the Code of Recommended Practice for Local Authorities on Data Transparency and by the Accounts and Audit (England) Regulations 2011.

### 2. Pay Arrangements for 2022/23

This pay policy statement for Somerset West & Taunton Council represents the position on the pay structures and other elements of the remuneration package for staff up to 31 March 2022.

The date detailed within the Pay Policy statement reflects the pay award for 2021/22. Chief Executive and Chief Officers received a pay award of 1.5% and all other employees received a pay award of 1.75%.

### 3. Policy statement

Somerset West & Taunton Council is committed to ensuring transparent, fair and equitable pay and reward arrangements that provide value for money and enable the recruitment and retention of employees with the skills and motivation to deliver high quality services for the council and its communities. The policies that support these objectives are summarised in this document.

### 4. Scope

The pay statement describes the pay arrangements that apply to the Senior Leadership Team (the senior employees) and the lowest paid employees.

For the purpose of this pay statement **senior employees** are defined as those staff in the top tiers of management; the Chief Executive, 3 Directors, and 11 remunerated at Assistant Director level

The pay and grading of employees, other than senior employees, are currently set using pay structures divided into grades within which there are spinal column points setting the pay rates. Posts are allocated to a pay grade through a process of job evaluation.

The current pay and grading structure for the workforce is set out in the attached Appendix B.

For the purpose of this statement the **lowest paid employees** are defined as follows:

- Those who receive a salary equivalent to Grade D on the Council's pay structure as there are currently no employees paid at Grade C (apprenticeships and casual employees are excluded). The lowest salary currently paid to an employee on the Grade D band as at 31 March 2022 equates to an hourly rate of £10.81 which is above the National Living Wage hourly rate (£8.91 on 1 April 2021, moving to £9.50 from 1 April 2022) and above the Real Living Wage which is currently £9.90 outside of London. This lowest hourly rate is an increase on last year's reported figure of £10.23.

The Council will therefore define the lowest paid employees as those on the minimum pay points as these (apart from apprentices and casual employees) are the lowest hourly rates paid to employees of the Council. The Council has adopted this definition, as it can be easily understood.

Other than the posts set out above as senior employees and recognised apprentices, all posts within the council have been subject to job evaluation to assess the value of the job content and then, subject to that value, have been placed in an agreed grade.

## **5. Remuneration of senior employees**

As part of the annual Pay Policy Statement the Council must state:

- (a) The elements of remuneration for each senior employee
- (b) The policy for determining the remuneration of senior employees on recruitment.

The Senior Leadership Team are employed on fixed pay points for all posts within the top tiers and therefore remuneration in terms of salary will be fixed on appointment.

Any other elements of remuneration, as set out in Appendix A, that are relevant at the point of recruitment are highlighted accordingly.

The Leader will, after taking independent pay advice from Southwest Councils or similar, recommend the remuneration package on appointment to the above posts to Full Council prior to advertisement of any vacancy. The remuneration package will then have been subject to the approval of Full Council.

- (c) How any increases and additions to remuneration for each senior employee are made:

Annual cost of living pay awards are negotiated nationally by the National Joint Council (NJC) for Local Government Services and, where a pay award is agreed, these will be applied to the fixed pay point of the employee.

The Council has the ability to determine certain Local Government Pension Scheme Discretions. The Pension Scheme Discretions which have been

adopted by Somerset West & Taunton Council are included in the annual Pay Policy Statement.

The post of Chief Executive is employed on the Terms and Conditions of Employment agreed by the Joint Negotiating Committee (JNC) for Chief Executives and all other senior employees are covered by the Terms and Conditions of Employment agreed by the JNC for Chief Officers, all of which are supplemented by local terms and conditions agreed by Somerset West & Taunton Council as the employer.

- (d) The use of performance-related pay for chief officers.

The council does not operate performance related pay schemes for any of its staff.

- (e) The use of bonuses for senior employees.

The council does not operate bonus schemes or bonus payments for any of its staff.

- (f) The approach to the payment of senior employees on their ceasing to hold office under or to be employed by the authority

Any termination payments to senior employees on ceasing office will comply with the policies current at that time, which will have been approved by the Full Council of the employing authority. No additional termination payments will be made without the approval of the Executive/Cabinet, this will include any settlement agreements, which may be subject to a confidentiality clause. The current Redundancy Policy and Retirement Policy is included in the Pay Policy statement in the appendices.

Should severance payments for staff exceed £95,000 (effective 4 November 2020), they will be reported to Full Council for approval and in presenting information to Full Council the components of the relevant severance package will be clearly set out. These components may include salary paid in lieu, redundancy compensation, pension entitlements, holiday pay and any bonuses, fees or allowances paid.

- (g) The remuneration of senior employees who return to Local Authority employment.

Where the senior employee:

- (i) Was a previously employed senior employee who left with a severance payment and applies to return as a senior employee.

Executive/Cabinet approval would be required to authorise re-employment within the authority of a previously employed senior employee who had left with a severance payment and is seeking re-employment.

- (ii) Was previously employed by the same authority and applies to return as a senior employee under a contract for services.

Executive/Cabinet will be required to approve any award of a 'contract for services' to a senior employee who has previously been employed by the authority.

- (iii) Is in receipt of a Local Government Pension Scheme Pension.

If an employee receiving a pension from the Local Government Pension Scheme becomes re-employed, then their pension could be affected. This will apply where the pension in payment arose for a reason that resulted in a strain cost being paid by the employer (e.g. redundancy, interests of efficiency, ill-health, early retirement with consent or flexible retirement). If their pension plus the earnings from their new job is higher than the final pay their pension was calculated on, then their pension will be affected. For every pound that their earnings plus pension exceed previous pay, then their pension will reduce by a pound. This abatement will last for as long as the person exceeds their limit (so either when the new job ends, or they reduce their hours, so their earnings drop down below the acceptable level).

The Chief Executive is the appointed Returning Officer for Somerset West & Taunton Council and receives a fee for County, District and Parish Council and for Parliamentary Election duties. The fee for undertaking this role varies from year to year and is not subject to this policy since fee levels are set regionally and nationally.

## **6. Remuneration of other employees**

As explained in paragraph 5 above, the pay structure for all other employees consists of grades and incremental points set out in the attached appendices. Grades are allocated to jobs through a process of job evaluation which establishes the relative value of different jobs within the workforce. The council uses the Greater London Provincial Council Scheme for job evaluation. Salaries for all employees (including senior employees) are subject to increases agreed under national pay award settlements.

The council's pay structure creates the basis of the relationship between the pay of all employees within the scope of the Pay Policy Statement.

The maximum salary for the post of Chief Executive is approximately 6:1 times the maximum salary of the lowest paid employee in the workforce (£126,875/£20,852). This ratio has not changed from last year.

The maximum salary of a Director is approximately 5:1 times the maximum salary of the lowest paid employee in the workforce (£104,291/ £20,852). The ratio has not changed from last year.

The standard salary of an Assistant Director is approximately 3:1 times the standard salary of the lowest paid employee in the workforce (£67,790 / £20,852).

Average salaries:

The maximum salary for the post of Chief Executive is 4:1 times the median FTE salary (£30,995). The ratio has not changed from last year.

The maximum salary for the post of Chief Executive is approximately 4:1 times the mean FTE salary (£32,573.82). The ratio has not changed from last year.

## **7. Transparency and Publication of Data**

The council will publish the Pay Policy Statement on the Somerset West & Taunton Council website alongside other information relating to transparency/open government and this can be found on:

[www.somersetwestandtaunton.gov.uk](http://www.somersetwestandtaunton.gov.uk)

## **8. Review**

The Localism Act requires councils to prepare and publish a pay policy statement for each financial year. The next statement is due for publication before 31 March 2023.

## Appendix A cont - Remuneration to Senior Staff

### The Level and Remuneration for each Chief Officer

| Post                           | Statutory Role       | Terms and Conditions and JE Status *** | Salary ** | Salary Progression | Bonus or Performance related pay | Other Benefits   | Pension Enhancement in Year |
|--------------------------------|----------------------|--|-----------|--------------------|----------------------------------|--|-----------------------------|
| Chief Executive                | Head of Paid Service | JNC Chief Executives – Outside of JE   | £126,875  | No                 | No                               | Payment of Professional Subscription<br><br>*Election payments – Returning Officer<br><br>Payments relating to LGPS Employer Contributions | No                          |
| Director – Internal Operations |                      | JNC Chief Officers – Outside of JE     | £104,291  | No                 | No                               | Payment of Professional Subscription<br><br>Payments relating to LGPS Employer Contributions   | No                          |
| Director – Housing             |                      | JNC Chief Officers – Outside of JE     | £104,291  | No                 | No                               | Payment of Professional Subscription<br><br>Payments relating to LGPS Employer contributions   | No                          |

| Post  | Statutory Role | Terms and Conditions and JE Status *** | Salary **                 | Salary Progression | Bonus or Performance related pay | Other Benefits   | Pension Enhancement in Year |
|---|----------------|--|---------------------------|--------------------|----------------------------------|--|-----------------------------|
| Director - Development and Place              |                | JNC Chief Officers – Outside of JE     | £104,291                  | No                 | No                               | Payment of Professional Subscription   | No                          |
| Assistant Director Finance & S151 Officer (1) | S151 Officer   | JNC Chief Officers – Outside of JE     | £67,790 + £5,425 for s151 | No                 | No                               | Payment of Professional Subscription<br>Payments relating to LGPS Employer               | No                          |
| Assistant Director Major and Special Projects |                | JNC Chief Officers – Outside of JE     | £67,790                   | No                 | No                               | Payment of Professional Subscription<br>Payments relating to LGPS Employer Contributions | No                          |
| Assistant Director Climate Change and Assets  |                | JNC Chief Officers – Outside of JE     | £67,790                   | No                 | No                               | Payment of Professional Subscription<br>Payments relating to LGPS Employer Contributions | No                          |

| Post   | Statutory Role | Terms and Conditions and JE Status *** | Salary **                          | Salary Progression | Bonus or Performance related pay | Other Benefits   | Pension Enhancement in Year |
|--|----------------|--|------------------------------------|--------------------|----------------------------------|--|-----------------------------|
| Assistant Director Housing Property Services |                | JNC Chief Officers – Outside of JE     | £67,790                            | No                 | No                               | Payment of Professional Subscription<br><br>Payments relating to LGPS Employer Contributions | No                          |
| Assistant Director Customer                  |                | JNC Chief Officers – Outside of JE     | £67,790                            | No                 | No                               | Payment of Professional Subscription<br><br>Payments relating to LGPS Employer Contributions | No                          |
| Assistant Director – Internal Operations     |                | JNC Chief Officers – Outside of JE     | £67,790                            | No                 | No                               | Payment of Professional Subscription<br><br>Payments relating to LGPS Employer Contributions | No                          |
| Assistant Director Strategic Place Planning  |                | JNC Chief Officers – Outside of JE     | £67,790 + Market Factor of £10,365 | No                 | No                               | Payment of Professional Subscription<br><br>Payments relating to LGPS Employer Contributions | No                          |

| Post  | Statutory Role | Terms and Conditions and JE Status *** | Salary **   | Salary Progression | Bonus or Performance related pay | Other Benefits   | Pension Enhancement in Year |
|---|----------------|--|---|--------------------|----------------------------------|--|-----------------------------|
| Assistant Director Housing and Communities      |                | JNC Chief Officers – Outside of JE     | £80,176 (pay protection until 31/05/2022 then reduces to £67,790) | No                 | No                               | Payment of Professional Subscription<br><br>Payments relating to LGPS Employer Contributions | No                          |
| Assistant Director Development and Regeneration |                | JNC Chief Officers – Outside of JE     | £67,790   | No                 | No                               | Payment of Professional Subscription<br><br>Payments relating to LGPS Employer Contributions | No                          |
| Assistant Director Commercial Service           |                | JNC Chief Officers – Outside of JE     | £67,790   | No                 | No                               | Payment of Professional Subscription<br><br>Payments relating to LGPS Employer Contributions | No                          |
| Homelessness Commissioning Lead                 |                | JNC Chief Officers – Outside of JE     | £67,790   | No                 | No                               | Payment of Professional Subscription<br><br>Payments relating to LGPS Employer Contributions | No                          |

\* Additional payments are made by Central Government to officers carrying out additional duties at elections. These payments will only be received when elections take place and vary according to the responsibility undertaken.

\*\* These thresholds relate to the publication of salary information as required under the Code of Recommended Practice for Local Authorities on Data Transparency (£58,200 is the minimum

of the Senior Civil Service minimum pay band) and the Audit and Accounts Regulations (£50,000)

\*\*\* JNC Chief Officers – Outside of JE. The job evaluation scheme is not applicable to Chief Officer posts. The salaries of Chief Officer posts are evaluated against local market data provided by South West Councils. This data provides salary details for comparable Chief Officer posts within comparable district councils.

(1) The statutory function of monitoring officer is performed by the Performance & Governance Manager.

**Appendix B – Somerset West & Taunton Pay & Grading structure  
(Applicable from 1 April 2021)**

| <b>Grade</b> | <b>SCP</b>     |                |                       |                       |                       |
|--------------|----------------|----------------|-----------------------|-----------------------|-----------------------|
| <b>A</b>     | <b>N/A</b>     | <b>N/A</b>     | <b>N/A</b>            | <b>N/A</b>            | <b>N/A</b>            |
| <b>B</b>     | <b>N/A</b>     | <b>N/A</b>     | <b>N/A</b>            | <b>N/A</b>            | <b>N/A</b>            |
| <b>C</b>     | <b>N/A</b>     | <b>N/A</b>     | <b>5</b><br>£19,650   | <b>6</b><br>£20,043   | <b>7</b><br>£20,444   |
| <b>D</b>     | -              | -              | <b>8</b><br>£20,852   | <b>9</b><br>£21,269   | <b>11</b><br>£22,129  |
| <b>E</b>     | -              | -              | <b>15</b><br>£23,953  | <b>17</b><br>£24,920  | <b>19</b><br>£25,927  |
| <b>F</b>     | -              | -              | <b>23</b><br>£28,226  | <b>24</b><br>£29,174  | <b>25</b><br>£30,095  |
| <b>G</b>     | <b>26</b><br>- | <b>27</b><br>- | <b>28</b><br>£32,798  | <b>29</b><br>£33,486  | <b>30</b><br>£34,373  |
| <b>H</b>     | <b>31</b><br>- | <b>32</b><br>- | <b>33</b><br>£37,568  | <b>34</b><br>£38,553  | <b>35</b><br>£39,571  |
| <b>I</b>     | <b>36</b><br>- | <b>37</b><br>- | <b>38</b><br>£42,614  | <b>39</b><br>£43,570  | <b>40</b><br>£44,624  |
| <b>J</b>     | <b>41</b><br>- | <b>42</b><br>- | <b>43</b><br>£47,665  | <b>44*</b><br>£48,690 | <b>45*</b><br>£49,686 |
| <b>K</b>     | <b>46</b><br>- | <b>47</b><br>- | <b>48*</b><br>£52,715 | <b>49*</b><br>£53,493 | <b>50*</b><br>£54,275 |
| <b>L</b>     | <b>51</b><br>- | <b>52</b><br>- | <b>53*</b><br>£56,612 | <b>54*</b><br>£57,391 | <b>55*</b><br>£58,173 |



## **Appendix C - Written Statement on Local Government Pension Scheme Employers Discretions and Key Pensions Policy**

### **Somerset West & Taunton Council**

#### **LGPS (Administration) Regulations 2008**

##### **Regulation B30 (5)**

With regard to the early payment of benefits on or after age 55 and before age 60 made under B30 (2) above the Council retains the right to waive the actuarial reduction of benefits on exceptional compassionate grounds.

##### **Regulation B30A (5)**

With regard to an application for reinstatement of a suspended tier 3 ill health pension on or after age 55 and before age 60 made under B30A (3) above the Council retains the right to waive the actuarial reduction of benefits on exceptional compassionate grounds.

#### **Local Government Pension Scheme Regulations 1997 (as amended) in relation to active councillor members and pre 1 April 2008 scheme leavers.**

The Council will allow a post 31 March 1998/pre 1 April 2008 leaver or from a councillor member the option to request early payment of benefits on or after age 50 and before age 55 which will be considered on a case-by-case basis following the production of a business case. In these cases, no additional compensation will be awarded.

##### **Regulation 31 (5)**

With regard to the early payment of benefits made in accordance with Regulation 31 (2) the Council retains the right to waive the actuarial reduction of benefits on exceptional compassionate grounds.

##### **Regulation 31 (7A)**

The Council will allow councillor optants out and pre 1 April 2008 employee optants out the option to request payment of benefits at normal retirement date and these will be considered on a case-by-case basis following the production of a business case.

#### **The Local Government Pension Scheme Regulations 2013 Regulation 100 (6)**

It is not Council policy to extend the 12-month limit on transfer of previous pension rights into the LGPS.

##### **Regulation 9 (1) and 9 (3)**

It is Council policy to allow employee contribution rates to be determined as changes occur during the financial year.

### **Regulation 16(2)(e) and 16(4)(d) Funding of Additional Pension**

It is not the policy of the Council to fund additional pension and the Council will not enter into a shared cost additional pension contributions arrangement other than where an employee leaving the council has requested that the council use all of the compensatory redundancy payment due to the employee to purchase additional pension benefits.

### **Regulation 30(6) Flexible Retirement**

The Council will allow benefits to be paid to a member of staff if they reduce their hours/grade (known as flexible retirement) and this is set out in the Council's Retirement Policy. Each case will be decided individually after the consideration of a detailed business case and only applies to those aged 55 and over.

### **Regulation 30(8)**

With regard to flexible retirement and requests from staff aged 55 or over for retirement the Council retains the right to waive the actuarial reduction of benefits on exceptional compassionate grounds.

### **Regulation TPSch 2 'Switch on' of the 85-year rule (excludes flexible retirement) upon the voluntary early payment of benefits**

The 85-year rule does not (other than on flexible retirement) automatically fully apply to members who would otherwise be subject to it and who choose to voluntarily draw their benefits on or after age 55 and before age 60. The Council retains the right to switch on the 85-year rule for members who voluntarily draw on their benefits on or after aged 55 and before age 60. This will be on a case by case basis and only in exceptional circumstances. It is not the policy for the Council to switch on the 85-year rule for:

- Former members who ceased active membership between 1<sup>st</sup> April 2008 and 31<sup>st</sup> March 2014 and choose to voluntarily draw their suspended tier 3 ill health pension (on or after 14 May 2018) on or after age 55 and before age 60 and,
- Former members who ceased active membership between 1<sup>st</sup> April 1998 and 31<sup>st</sup> March 2014) and elect for voluntary early payment of any deferred benefits.

### **Regulation 31 Award of Additional Pension**

It is not the policy of the Council to award Employer APC for active members leaving on redundancy/efficiency other than by allowing employees leaving on grounds of redundancy/efficiency to use compensation payments to fund additional pension.

### **The Local Government (Early Termination of Employment) Discretionary Compensation Regulations 2006**

As set out in the Redundancy Policy the Council do not limit redundancy payments to the statutory maximum weekly pay threshold and instead use the actual weekly pay of the employee. Actual weekly pay does not include payment of pension contributions.

The Council does not offer a minimum payment with regards to redundancy. Benefits are calculated using actual weekly pay and the statutory number of weeks as calculated against continuous local government service (and service covered by the Modification Order).

The Council provides up to 15 weeks compensation, in addition to any redundancy payment as set out in the Compensation Policy.

Where additional compensation is paid the employee has the option to augment their pension benefits by using all the additional compensation unless specific criteria are met.



## **Appendix D – Somerset West & Taunton Council Redundancy Policy**

### **Introduction**

Somerset West and Taunton Council recognise a responsibility to safeguard the job security and prospects of their employees as far as possible. This policy covers all redundancy situations that may arise within the Council and sets out the ways in which it will, as far as possible, seek to avoid or minimise the need for compulsory redundancies.

### **Aims**

The aim of this policy is to set out a clear and fair process for handling redundancies. In doing so, it ensures employees, managers and UNISON are clear of the procedure that is being followed through any redundancy process.

### **Redundancy Procedure**

#### **Consultation**

Where the possibility of redundancies is identified the Council will inform and consult with the relevant trade union representatives as early as possible and before any formal decisions have been made. As part of the consultation the Council will provide the following information:

- the reasons for the proposed redundancies;
- the numbers and descriptions of employees it proposes to make redundant;
- the total number of employees of those descriptions employed at the establishment in question;
- the proposed method of selecting those who may be dismissed;
- the proposed method of carrying out the dismissals, including the period over which the dismissals are to take effect;
- the proposed method of calculating any redundancy payments;
- the number of agency workers working temporarily for, and under the supervision and direction of, the employer;
- the parts of the employer's business in which the agency workers work; and
- the type of work that the agency workers carry out.

Formal consultation shall be deemed to commence on the date when these details are given in a letter to the Branch Secretaries of UNISON.

Consultation timescales will depend upon the scale of potential redundancies and will be as follows:

- A minimum of 30 days before the first dismissal takes effect where up to 99 employees are to be made redundant over a period of 90 days or less: or
- A minimum of 45 days before the first dismissal takes effect where more than 100 employees are to be made redundant over a period of 90 days or less.

Any consultation responses received in time will be included in any committee reports to be considered by the appropriate Committee.

#### **Measures to avoid or minimise compulsory redundancies**

The Council will, in consultation with the appropriate trade union representatives explore any options to avoid or minimise the need for compulsory redundancies. Alternatives may include (not in order of priority):

- Reductions through natural staff turnover (i.e., not automatically replacing employees who leave).
- Seeking volunteers for redundancy;
- Redeployment, including retraining where appropriate;
- Stopping or reducing overtime other than contractual or emergency overtime;
- Restrictions on permanent and/or external recruitment;
- Termination of casual or agency worker arrangements;
- Flexible retirements/voluntary reduction in hours.

## **Employees ‘at risk’ of redundancy**

### **Notification of ‘at risk’ status**

As soon as practicable after the unions have been informed of the potential for redundancies, any individuals affected will be informed that they are ‘at risk’ of redundancy and that consultation has commenced. An individual will be identified as being ‘at risk’ of redundancy if their current post does not exist in a new structure or there will be a reduction in the number of the same post in a new structure. This will be confirmed in writing with an estimate of any redundancy payment and if applicable, pension payment due.

Throughout the consultation period, further meetings (usually mid consultation and at the end of the consultation period) will be arranged with individuals ‘at risk’ of redundancy to discuss any concerns, redeployment opportunities, any selection processes etc. Records of any discussions will be kept on the employee’s personal file.

### **Rights of employees ‘at risk’**

Employees ‘at risk’ of redundancy have certain rights. The Council will make every effort to redeploy the individuals within the Council’s’ services.

Employees are entitled to reasonable paid time off to look for alternative employment. This may include time off to attend interviews or attend relevant training courses. A reasonable amount of time is up to two days per week (pro rata for part-time employees). Such time off must be arranged in advance with the line manager.

A central register of employees ‘at risk’ of redundancy will be held by the People Function and those employees put ‘at risk’ will be informed by the People Function of all relevant vacancies arising within the Council. Efforts will be made to redeploy employees within the Council to retain skills, knowledge and experience and reasonable training will be provided if necessary.

The Council will make every effort to facilitate employees search for new employment, either through in-house support or, on occasions, outplacement specialists. Support may include advice on writing application forms or preparing CVs, interview tips, coaching etc.

### **Selection for redundancy**

Once a proposal for a restructure or reduction in headcount is approved and where compulsory redundancies are unavoidable, the ring fence arrangements and process of selection for redundancy will be agreed with UNISON. It may include some or all the following criteria:

- Attendance records (other than absences covered by the Equality Act 2010);
- Disciplinary records (‘live’ warnings only);
- Skills and experience;
- Past performance records;
- A selection interview.

If a function or service is to be discontinued all employees directly related to the provision of that function will automatically be selected for redundancy.

If there is to be a reduction in the number of posts but the job descriptions remain largely unchanged, (i.e., duties are more than 80% the same). Selection will be based on agreed criteria and made by a selection panel that comprises of a higher level of management, at least one member of the Senior Leadership Team (SLT) and a representative from the HR and People Team.

If a restructure involves the creation of new roles, selection for redundancy will be dependent on success at interview for those new roles. A new role is one where the duties are more than 20% different. A ring fence of employees that can apply for the new posts will be agreed with UNISON and will be based on job type, grade and/or salary levels. The appointment panel should consist of managers from a higher level of management, at least one member of SLT and a representative from the People Function.

This appointment process does not apply to posts named as Scheduled Posts on the constitution, for example the Chief Executive. As these appointments require an Appointments Committee, comprising of at least one member of each of the Councils' Executive/Cabinet.

The employee/s selected for redundancy will receive written notification of the reasons for their selection as well as their proper contractual notice in accordance with their contract of employment or statutory notice whichever is greater.

**NB:** The cost of redundancy is not a factor that will be considered when selection for redundancy is made.

### **Calculation of redundancy payments**

Employees will be notified personally about their redundancy entitlements as soon as possible after they have been notified that they are 'at risk' of redundancy, including the compensation/severance payment in writing and details of any pension due where applicable.

The qualifying service in respect of redundancy payments is two years continuous local government service (in accordance with the Redundancy Payments (Local Government) Modification Order. Reckonable service is limited to the last 20 years before redundancy.

Statutory redundancy payments are made according to the following scale:

- (a) one and a half week's pay\* for each year of employment during which the employee was aged 41 and over;
- (b) one week's pay\* for each year of employment during which the employee was aged 22 to 40 inclusive;
- (c) half a week's pay\* for each year of employment in which the employee was aged 21 and under.

\* A week's pay is based on contractual pay and does not include occasional overtime or additional payments.

Appendix One includes a table with the number of statutory weeks entitlement according to age and continuous service.

If prior to the expiry of the employee's notice of dismissal an individual receives an offer of employment with a related employer (in accordance with the Redundancy Payments Continuity of Employment in Local Government Modification Order 1999) to start immediately or within four

weeks of the end of the previous employment, a redundancy payment cannot be made by the Council.

### **Compensation/severance payments**

The Council operate a discretionary enhanced redundancy payment scheme under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006, as compensation for the loss of employment on redundancy grounds. Details of the Councils' compensation schemes are annexed as Appendix Two.

Employees will be entitled to the discretionary compensation payment in accordance with the Compensation Policy

Redundancy and compensation payments will be made to employees within the next payroll run, provided that Payroll have been notified before the payroll deadline for that month.

### **Local Government Pension Scheme Payments**

If you are age 55 or over, your main LGPS benefits are payable immediately without any early retirement reductions if the Council makes you redundant and you have met the two years *vesting period* in the Scheme.

### **Redeployment Procedure**

Wherever possible employees will be redeployed to avoid compulsory redundancy.

The Council reserve the right in agreement with UNISON to apply a ring fence to new roles that are created as a result of any proposed restructures and offer them in the first instance to those employees at a similar job type grade/salary level within the existing structure and who have the relevant skills and experience that match the job description or person specification.

Where there is more than one employee that matches the role or a group of employees to more than one role, a selection procedure panel will take place that involves a formal interview and other recruitment selection procedures.

Where only one individual is matched with the new position, they will be slotted in.

All other vacancies arising within the Council where a suitable ring fence is not identified will be offered to employees 'at risk' of redundancy in the first instance. Such vacancies will be sent initially to the People Function who will check them against the 'at risk' register for any suitable candidates. Employees will be matched according to the essential criteria on the person specification, salary levels and preferred hours of work. Consideration must also be given to any reasonable appropriate training that will enable them to perform the duties of the role.

Any employees that meet the essential criteria will be made an offer of redeployment. Where more than one employee is matched to a vacancy a selection process will apply.

Any offer of redeployment will be made in writing and will include reference to a trial period, any training available, terms and conditions and protection arrangements if applicable.

Any employees that are redeployed into a new role will be given a 4-week trial period. This period may be extended by mutual agreement.

If the trial period is successful, the employee will be sent written confirmation of any changes to terms and conditions. If the trial period is deemed unsuccessful by the manager, contractual notice will be reduced by the length of the trial period.

If an offer of redeployment is made by the Council and the employee decides during the trial period that they wish to reject the offer, they must advise the People Function in writing within the trial period.

An employee who believes that a job offer is not suitable alternative employment may claim a redundancy payment. However, this will only be paid where the Council agree that the job is unsuitable. The decision will be made by a Member of SLT, taking account of any changes to terms and conditions and the level of seniority.

### **Pay Protection**

Pay protection will be available where employment on less favourable terms is offered to an employee as an alternative to redundancy. An employee's basic pay will be protected for up to two years if the reduction in their basic pay does not exceed 17.5%.

If, by accepting alternative employment, the reduction in an employee's basic pay exceeds 17.5%, pay protection is subject to the People Business Partner or the HR Specialist and the relevant member of SLT being satisfied that there is some tangible benefit to be gained by the Council, for example, in circumstances where pay protection would be less costly than an employee's redundancy.

During the pay protection period, an employee's basic pay is protected on a 'mark time' basis. 'Mark time' means that during the period of protection, an employee's basic pay is frozen and that any increments and annual pay awards applicable to their previous job are not paid to the employee.

### **Appeals**

If an employee is aggrieved about their selection for redundancy, they have the right of appeal. The appeal must be received in writing by the People Function within 10 working days of the decision being made. Refer to Council Appeals Procedure.

If the selection for redundancy was made by the Chief Executive the employee will have the right of appeal to be heard by an Appeal Committee comprising of at least one member of each of the Councils' Executive or Cabinet.

If the selection for redundancy was made by a Member of SLT other than the Executive, the employee will have a right of appeal to be heard by the Chief Executive.

All decisions made by the appeal panel are final

**Appendix one – Table to show entitlement to statutory weeks’ redundancy based on age and continuous service**

|     |     | Years Service |     |     |     |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |
|-----|-----|---------------|-----|-----|-----|-----|-----|------|------|------|------|------|------|------|------|------|------|------|------|------|
|     |     | 2             | 3   | 4   | 5   | 6   | 7   | 8    | 9    | 10   | 11   | 12   | 13   | 14   | 15   | 16   | 17   | 18   | 19   | 20   |
| Age | 18  |               |     |     |     |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |
|     | 19  |               |     |     |     |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |
|     | 20  | 1.0           | 1.0 | 1.0 | 1.0 |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |
|     | 21  | 1.0           | 1.5 | 1.5 | 1.5 | 1.5 |     |      |      |      |      |      |      |      |      |      |      |      |      |      |
|     | 22  | 1.0           | 1.5 | 2.0 | 2.0 | 2.0 | 2.0 |      |      |      |      |      |      |      |      |      |      |      |      |      |
|     | 23  | 1.5           | 2.0 | 2.5 | 3.0 | 3.0 | 3.0 | 3.0  |      |      |      |      |      |      |      |      |      |      |      |      |
|     | 24  | 2.0           | 2.5 | 3.0 | 3.5 | 4.0 | 4.0 | 4.0  | 4.0  |      |      |      |      |      |      |      |      |      |      |      |
|     | 25  | 2.0           | 3.0 | 3.5 | 4.0 | 4.5 | 5.0 | 5.0  | 5.0  | 5.0  |      |      |      |      |      |      |      |      |      |      |
|     | 26  | 2.0           | 3.0 | 4.0 | 4.5 | 5.0 | 5.5 | 6.0  | 6.0  | 6.0  | 6.0  |      |      |      |      |      |      |      |      |      |
|     | 27  | 2.0           | 3.0 | 4.0 | 5.0 | 5.5 | 6.0 | 6.5  | 7.0  | 7.0  | 7.0  | 7.0  |      |      |      |      |      |      |      |      |
|     | 28  | 2.0           | 3.0 | 4.0 | 5.0 | 6.0 | 6.5 | 7.0  | 7.5  | 8.0  | 8.0  | 8.0  | 8.0  |      |      |      |      |      |      |      |
|     | 29  | 2.0           | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 | 7.5  | 8.0  | 8.5  | 9.0  | 9.0  | 9.0  | 9.0  |      |      |      |      |      |      |
|     | 30  | 2.0           | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 | 8.0  | 8.5  | 9.0  | 9.5  | 10.0 | 10.0 | 10.0 | 10.0 |      |      |      |      |      |
|     | 31  | 2.0           | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 | 8.0  | 9.0  | 9.5  | 10.0 | 10.5 | 11.0 | 11.0 | 11.0 | 11.0 |      |      |      |      |
|     | 32  | 2.0           | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 | 8.0  | 9.0  | 10.0 | 10.5 | 11.0 | 11.5 | 12.0 | 12.0 | 12.0 | 12.0 |      |      |      |
|     | 33  | 2.0           | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 | 8.0  | 9.0  | 10.0 | 11.0 | 11.5 | 12.0 | 12.5 | 13.0 | 13.0 | 13.0 | 13.0 |      |      |
|     | 34  | 2.0           | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 | 8.0  | 9.0  | 10.0 | 11.0 | 12.0 | 12.5 | 13.0 | 13.5 | 14.0 | 14.0 | 14.0 | 14.0 |      |
|     | 35  | 2.0           | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 | 8.0  | 9.0  | 10.0 | 11.0 | 12.0 | 13.0 | 13.5 | 14.0 | 14.5 | 15.0 | 15.0 | 15.0 | 15.0 |
|     | 36  | 2.0           | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 | 8.0  | 9.0  | 10.0 | 11.0 | 12.0 | 13.0 | 14.0 | 14.5 | 15.0 | 15.5 | 16.0 | 16.0 | 16.0 |
|     | 37  | 2.0           | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 | 8.0  | 9.0  | 10.0 | 11.0 | 12.0 | 13.0 | 14.0 | 15.0 | 15.5 | 16.0 | 16.5 | 17.0 | 17.0 |
| 38  | 2.0 | 3.0           | 4.0 | 5.0 | 6.0 | 7.0 | 8.0 | 9.0  | 10.0 | 11.0 | 12.0 | 13.0 | 14.0 | 15.0 | 16.0 | 16.5 | 17.0 | 17.5 | 18.0 |      |
| 39  | 2.0 | 3.0           | 4.0 | 5.0 | 6.0 | 7.0 | 8.0 | 9.0  | 10.0 | 11.0 | 12.0 | 13.0 | 14.0 | 15.0 | 16.0 | 17.0 | 17.5 | 18.0 | 18.5 |      |
| 40  | 2.0 | 3.0           | 4.0 | 5.0 | 6.0 | 7.0 | 8.0 | 9.0  | 10.0 | 11.0 | 12.0 | 13.0 | 14.0 | 15.0 | 16.0 | 17.0 | 18.0 | 18.5 | 19.0 |      |
| 41  | 2.0 | 3.0           | 4.0 | 5.0 | 6.0 | 7.0 | 8.0 | 9.0  | 10.0 | 11.0 | 12.0 | 13.0 | 14.0 | 15.0 | 16.0 | 17.0 | 18.0 | 19.0 | 19.5 |      |
| 42  | 2.5 | 3.5           | 4.5 | 5.5 | 6.5 | 7.5 | 8.5 | 9.5  | 10.5 | 11.5 | 12.5 | 13.5 | 14.5 | 15.5 | 16.5 | 17.5 | 18.5 | 19.5 | 20.5 |      |
| 43  | 3.0 | 4.0           | 5.0 | 6.0 | 7.0 | 8.0 | 9.0 | 10.0 | 11.0 | 12.0 | 13.0 | 14.0 | 15.0 | 16.0 | 17.0 | 18.0 | 19.0 | 20.0 | 21.0 |      |

|     |     | Years Service |     |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
|-----|-----|---------------|-----|-----|-----|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
|     |     | 2             | 3   | 4   | 5   | 6    | 7    | 8    | 9    | 10   | 11   | 12   | 13   | 14   | 15   | 16   | 17   | 18   | 19   | 20   |
| Age | 44  | 3.0           | 4.5 | 5.5 | 6.5 | 7.5  | 8.5  | 9.5  | 10.5 | 11.5 | 12.5 | 13.5 | 14.5 | 15.5 | 16.5 | 17.5 | 18.5 | 19.5 | 20.5 | 21.5 |
|     | 45  | 3.0           | 4.5 | 6.0 | 7.0 | 8.0  | 9.0  | 10.0 | 11.0 | 12.0 | 13.0 | 14.0 | 15.0 | 16.0 | 17.0 | 18.0 | 19.0 | 20.0 | 21.0 | 22.0 |
|     | 46  | 3.0           | 4.5 | 6.0 | 7.5 | 8.5  | 9.5  | 10.5 | 11.5 | 12.5 | 13.5 | 14.5 | 15.5 | 16.5 | 17.5 | 18.5 | 19.5 | 20.5 | 21.5 | 22.5 |
|     | 47  | 3.0           | 4.5 | 6.0 | 7.5 | 9.0  | 10.0 | 11.0 | 12.0 | 13.0 | 14.0 | 15.0 | 16.0 | 17.0 | 18.0 | 19.0 | 20.0 | 21.0 | 22.0 | 23.0 |
|     | 48  | 3.0           | 4.5 | 6.0 | 7.5 | 9.0  | 10.5 | 11.5 | 12.5 | 13.5 | 14.5 | 15.5 | 16.5 | 17.5 | 18.5 | 19.5 | 20.5 | 21.5 | 22.5 | 23.5 |
|     | 49  | 3.0           | 4.5 | 6.0 | 7.5 | 9.0  | 10.5 | 12.0 | 13.0 | 14.0 | 15.0 | 16.0 | 17.0 | 18.0 | 19.0 | 20.0 | 21.0 | 22.0 | 23.0 | 24.0 |
|     | 50  | 3.0           | 4.5 | 6.0 | 7.5 | 9.0  | 10.5 | 12.0 | 13.5 | 14.5 | 15.5 | 16.5 | 17.5 | 18.5 | 19.5 | 20.5 | 21.5 | 22.5 | 23.5 | 24.5 |
|     | 51  | 3.0           | 4.5 | 6.0 | 7.5 | 9.0  | 10.5 | 12.0 | 13.5 | 15.0 | 16.0 | 17.0 | 18.0 | 19.0 | 20.0 | 21.0 | 22.0 | 23.0 | 24.0 | 25.0 |
|     | 52  | 3.0           | 4.5 | 6.0 | 7.5 | 9.0  | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 17.5 | 18.5 | 19.5 | 20.5 | 21.5 | 22.5 | 23.5 | 24.5 | 25.5 |
|     | 53  | 3.0           | 4.5 | 6.0 | 7.5 | 9.0  | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.0 | 20.0 | 21.0 | 22.0 | 23.0 | 24.0 | 25.0 | 26.0 |
|     | 54  | 3.0           | 4.5 | 6.0 | 7.5 | 9.0  | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 20.5 | 21.5 | 22.5 | 23.5 | 24.5 | 25.5 | 26.5 |
|     | 55  | 3.0           | 4.5 | 6.0 | 7.5 | 9.0  | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 21.0 | 22.0 | 23.0 | 24.0 | 25.0 | 26.0 | 27.0 |
|     | 56  | 3.0           | 4.5 | 6.0 | 7.5 | 9.0  | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 21.0 | 22.5 | 23.5 | 24.5 | 25.5 | 26.5 | 27.5 |
|     | 57  | 3.0           | 4.5 | 6.0 | 7.5 | 9.0  | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 21.0 | 22.5 | 24.0 | 25.0 | 26.0 | 27.0 | 28.0 |
| 58  | 3.0 | 4.5           | 6.0 | 7.5 | 9.0 | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 21.0 | 22.5 | 24.0 | 25.5 | 26.5 | 27.5 | 28.5 |      |
| 59  | 3.0 | 4.5           | 6.0 | 7.5 | 9.0 | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 21.0 | 22.5 | 24.0 | 25.5 | 27.0 | 28.0 | 29.0 |      |
| 60  | 3.0 | 4.5           | 6.0 | 7.5 | 9.0 | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 21.0 | 22.5 | 24.0 | 25.5 | 27.0 | 28.5 | 29.5 |      |
| 61  | 3.0 | 4.5           | 6.0 | 7.5 | 9.0 | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 21.0 | 22.5 | 24.0 | 25.5 | 27.0 | 28.5 | 30.0 |      |
| 62  | 3.0 | 4.5           | 6.0 | 7.5 | 9.0 | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 21.0 | 22.5 | 24.0 | 25.5 | 27.0 | 28.5 | 30.0 |      |
| 63  | 3.0 | 4.5           | 6.0 | 7.5 | 9.0 | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 21.0 | 22.5 | 24.0 | 25.5 | 27.0 | 28.5 | 30.0 |      |
| 64  | 3.0 | 4.5           | 6.0 | 7.5 | 9.0 | 10.5 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 21.0 | 22.5 | 24.0 | 25.5 | 27.0 | 28.5 | 30.0 |      |



## Appendix E: Somerset West and Taunton Council - Compensation Policy

1. The Council operates a discretionary enhanced payment scheme as compensation for the loss of employment of redundancy grounds. The details of the Scheme are for information and may be amended from time to time at the discretion of the Council and after consultation with the Union. Please note the severance payments scheme is not legally binding.
2. Redundancy compensation will only be paid to staff with two or more years of service.
3. The Council exercises discretion under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006, to make compensatory payments to employees being made redundant based on a multiplier of **one and a half times** the number of weeks an employee would be entitled to under the statutory redundancy formula, inclusive of any statutory redundancy payment, up to a maximum of 45 weeks' pay. For the purposes of these calculations, a week's pay is defined as the employee's actual weekly pay, which is averaged over a twelve-week period for employees whose earnings for basic hours (excluding overtime) varies from week to week. The maximum number of years' continuous service that can be counted for statutory redundancy payments is twenty years.
4. The Council requires that the full cost of any redundancies is recovered within a period not exceeding five years or by the normal retirement age, whichever is sooner.
5. Employees who are eligible to be paid a compensation payment on being made redundant, and who are members of the Local Government Pension Scheme, are given the option of converting their compensation payment (excluding the statutory redundancy payment) into augmented pensionable service. Augmentation is not an option where the compensation payment (excluding the statutory redundancy payment) purchases more pensionable service than the maximum allowable at age 65. If taken as a cash lump sum the first £30k is tax-free.
6. No compensation payments are made to employees who are allowed to retire early on the grounds of interests of efficiency of the service, irrespective of whether a voluntary request has been made by the employee or instigated by management.
7. The expression 'early retirement in the interests of the efficiency of the service' is difficult to define but the application of this scheme can be justified because: -
  - (a) it facilitates/encourages internal restructuring
  - (b) it allows for the retirement of an employee who is unable to match up to the changed requirements of his/her job
  - (c) The Local Government (Early Termination of Employment) (Discretionary Payments) (England and Wales) Regulations 2006 allow local authorities to use their discretion in the interests of the efficient exercise of that authority's functions.
8. If you retire in the interests of efficiency, you will be entitled to a lump-sum payment calculated using your actual week's pay and equating to the equivalent of the statutory number of weeks payable for redundancy, however you will not be entitled to receive a redundancy payment from the Council. It is not possible to augment your Pension if you retire in the interests of the efficiency of the service.

9. Employees aged fifty-five years or over who are members of the Local Government Pension Scheme will receive payment of early pension retirement benefits.

## Appendix F – Somerset West & Taunton Council Flexible Retirement Policy

1. Employees aged 55 who are members of the Local Government Pension Scheme are able to request payment of early retirement benefits whilst remaining in the Council's employment on reduced hours or a lower grade.
2. This right does not apply to employees who are in receipt of a redundancy payment and early pension benefits or who have taken early retirement in the interests of the efficiency of the service.
3. As a guide, a business case for flexible retirement where any reduction is minimal (e.g. less than 20% either in terms of reduced hours or lower grade) may be difficult to objectively justify.
4. Requests for flexible working may be instigated by employees who meet the criteria set out in 1 above at any time but will only be able to make one request in any 12-month period.
5. An employee should, in the first instance, approach their line manager with a request for reduced hours, more flexible working patterns by putting their request in writing.
6. The manager will notify the HR/People Team and a meeting will be arranged within 21 days to discuss the request from the employee.
7. At this point the HR/People Team will request an estimate of early retirement benefits from the Peninsula Pensions which will be provided to the employee and be used to complete the Flexible Retirement Approval Request Form.
8. The meeting between the employee, manager and a member of the HR/People Team will discuss the request and business case and will only be referred for approval if it is operationally viable.
9. If the request is referred for approval this will be considered by the relevant Director and a member of HR.
10. It should be noted that employees who are retiring in this way before their normal retirement age will suffer an actuarial reduction in their benefits to reflect early payment. In exceptional compassionate circumstances the Council has the right to waive this actuarial reduction.
11. If the request is not referred for approval this will be confirmed to the employee in writing to the employee within 14 days of the meeting. The employee would have the right of appeal against this decision which should be made in writing to the HR Specialist within 10 days of receipt of the reason for refusal of the request or refusal to waive the actuarial reduction on compassionate grounds where the request is approved.
12. Appeals will be heard by a Director advised by a member of the HR Team.



# Somerset West and Taunton Council

## Full Council – 29 March 2022

### Capital, Investment and Treasury Strategies 2022/23 to 2024/25

This matter is the responsibility of Executive Councillor Ross Henley

Report Author: John Dyson, Corporate Finance Manager (Interim)

#### 1 Executive Summary / Purpose of the Report

- 1.1 The purpose of this report is to bring to Members three recommended strategies covering Capital, Investment and Treasury Management (CIT Strategies) for their consideration and adoption.
- 1.2 Appendix A to this report combines three Strategies together with the Council's Minimum Revenue Provision (MRP) Statement. Its format has been developed to meet the requirements of statutory guidance issued under Part 1 of the Local Government Act 2003, with particular reference to CIPFA's Prudential Code of Practice and Treasury Management Code of Practice.

#### 2 Recommendations

- 2.1 Full Council is recommended to approve the CIT Strategies and MRP Statement for adoption with effect from 1 April 2022.

#### 3 Background and Full Details of the Report

- 3.1 In line with regulatory guidance, the Council is required to produce a Capital Strategy, and Investment Strategy and a Treasury Management Strategy annually. These have again been combined into a draft consolidated document as Appendix A to this report. Appendix A also contains the Minimum Revenue Provision (MRP) Statement, which is also an annual requirement to be set by the Council.
- 3.2 It is recognised this is a large document that contains complex information and draws from a multitude of information sources. Most notably, the Strategies combine with and sit alongside the annual Revenue Budgets and Capital Programme for the General Fund and the Housing Revenue Account.
- 3.3 The report is also expanded to include a range of graphs and charts that may make some of this information more accessible to a wider audience. Whilst the Assistant Director – Finance (S151 Officer) has explored potential to make this report and future iterations into a condensed strategy document, new and lengthy Code updates (published in late December 2021, with parts released as late as February 2022) have signalled greater emphasis on the need to prepare robust and detailed Capital, Investment and Treasury Strategies for the Council's authorities.

- 3.4 The capital programme for the Housing Revenue Account (HRA) was approved by Council on 8 February. The Executive agreed the recommended capital programme for the General Fund, with amendment, on 9 February with the General Fund full Budget Report presented to Council for approval at its meeting on 24 February 2022. A minority of aspects of this Draft strategy document will be finalised after this report is published for Scrutiny.
- 3.5 Aligned with the Council's approved programme of investment in Commercial Properties with a view to generating yield, HM Treasury and CIPFA have been instrumental in their expectations for local authorities ceasing making these types of investment after publication of the new CIPFA Prudential Code in December 2021. Central government had already announced changes with effect from 26 November 2020 that prevents use of PWLB (Public Works Loans Board) borrowing for financing commercial property acquisitions.
- 3.6 The impact of these substantial developments is covered in detail within the Strategies in Appendix A.
- 3.7 Meanwhile, the Council has still been able to deliver its CIT Strategies without breaching any of the parameters of the revised Codes of Practice, and ongoing financing of capital investment remains fully achievable.

#### **4 Links to Corporate Aims / Priorities**

- 4.1 The Capital, Investment and Treasury Management strategies support the delivery of all Corporate Aims.

#### **5 Finance / Resource Implications**

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

#### **6 Legal Implications**

- 6.1 None in respect of this report.

#### **7 Scrutiny Comments / Recommendation(s)**

- 7.1 The report was considered by the Corporate Scrutiny Committee on 2 March 2022. The recommendation was supported.
- 7.2 The Committee identified that, within the Capital Strategy, Paragraph 3.8 contains an error in the typing following updated figures. The first sentence of text in that paragraph is to be substituted with:

“3.8 The CFR is expected to increase by £26.71million during 2022/23 (comprising £10.44million for the General Fund and £16.27million for the HRA).”

- 7.3 The main comments/ discussion points were:

- a) The level of qualifications (in particular CIPFA qualification) possessed by the Finance team was examined; this Council's Finance team carries a high coverage of professional accountancy qualifications, including CIPFA.

- b) The importance of managing the Risk Register was raised, reflecting the speed at which volatility and uncertainty is creeping into economic markets; officers reported that, the Risk Register is managed on an ongoing basis across the authority. In relation to Treasury Management, the approach taken pays great attention to the management of risk, spreading risk through the composition and management of treasury portfolios and drawing upon the expertise of the Council's appointed external treasury advisors.
- c) The drop in net income from Commercial Investments (Table 9) from £4.49m in 2022/23 to £3.36m in 2023/24 and into 2024/25 was queried. Officers reported that the budget has made allowance for increasing costs from potential interest rate rises, building in the worst-case outcome (at the time of reporting) for those costs. The risk of yet further rate interest increases is recognised, and estimates are updated as we follow the markets; also, each year, the Council does reduce debt by setting aside proper provision.
- d) Members asked for an indication of the split between short-term borrowing and long-term borrowing; the current portfolio was briefly examined and identified that 28% of borrowing is short-term (below one-year to maturity), 72% is long-term (duration of one-year and over). The substantial portion of long-term loans relates to HRA loans.
- e) Members considered that the report differentiates between short- and long-term borrowing, but that medium-term borrowing is not quite so obvious to identify. The merits of considering medium-term borrowing opportunities were positively regarded by Members. In response, officers identified that medium-term borrowing opportunities have been taken, whilst all loan durations remain under consideration. A balance is being drawn between the legacy of debt that may be handed across to the new Unitary Council and providing opportunities for the new authority to ascertain its future direction of travel in respect of capital investment and financing. Meanwhile, Members were advised that year-end reporting of this Council's treasury portfolios is planned to provide clearer analysis of short-medium- and long-term borrowing.
- f) Aligned with the additional recommendation concerning the correction of Paragraph 3.8 of the Capital Strategy, the Committee wished to draw to the attention of the Executive that there needs to be a clear understanding of when the figures are current and when they change.
- g) Members highlighted that, in the Capital Strategy, Table 4 depicts spending of 21.53% of the Council's 2021/22 budget on interest, increasing each year thereafter to 38.76% in 2024/25. This raises concern regarding long-term sustainability. Officers explained that compilation of the existing table follows CIPFA definitions; in the case of this Council's finances, measuring the cost of borrowing against a low-value net revenue stream over-emphasises the level of risk. A better alternative is to measure the financing costs as a proportion of Turnover, which places the risk into context against total income. (This alternative Table 4 has now been incorporated into this report to the Executive).
- h) Other queries and comments raised by the Committee covered the following issues:

- Page 87
- Protecting against hyperinflation.

- More-stringent reporting rules likely (from CIPFA, HM Treasury, etc).
- The Council faces greater year-end probity by external auditors.
- There is clearly added complexity in borrowing arrangements with a growing impact on officer time; the high degree of responsive management and due care does, in turn, benefit the Council in terms of controlling both cost and risk.
- The Committee would like to receive further updates on Treasury Management activities, particularly on the approach to formation of the new Unitary Council.

7.4

**Democratic Path:**

- Corporate Scrutiny Committee – 2 March 2021
- Audit and Governance Committee – 14 March 2021
- Executive – 16 March 2021
- Full Council – 29 March 2021

**Reporting Frequency: Annually**

**List of Appendices**

|            |  |
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| Appendix A | Capital, Investment and Treasury Strategies 2022/23 to 2024/25 |
|------------|--|

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# **Somerset West and Taunton Council**

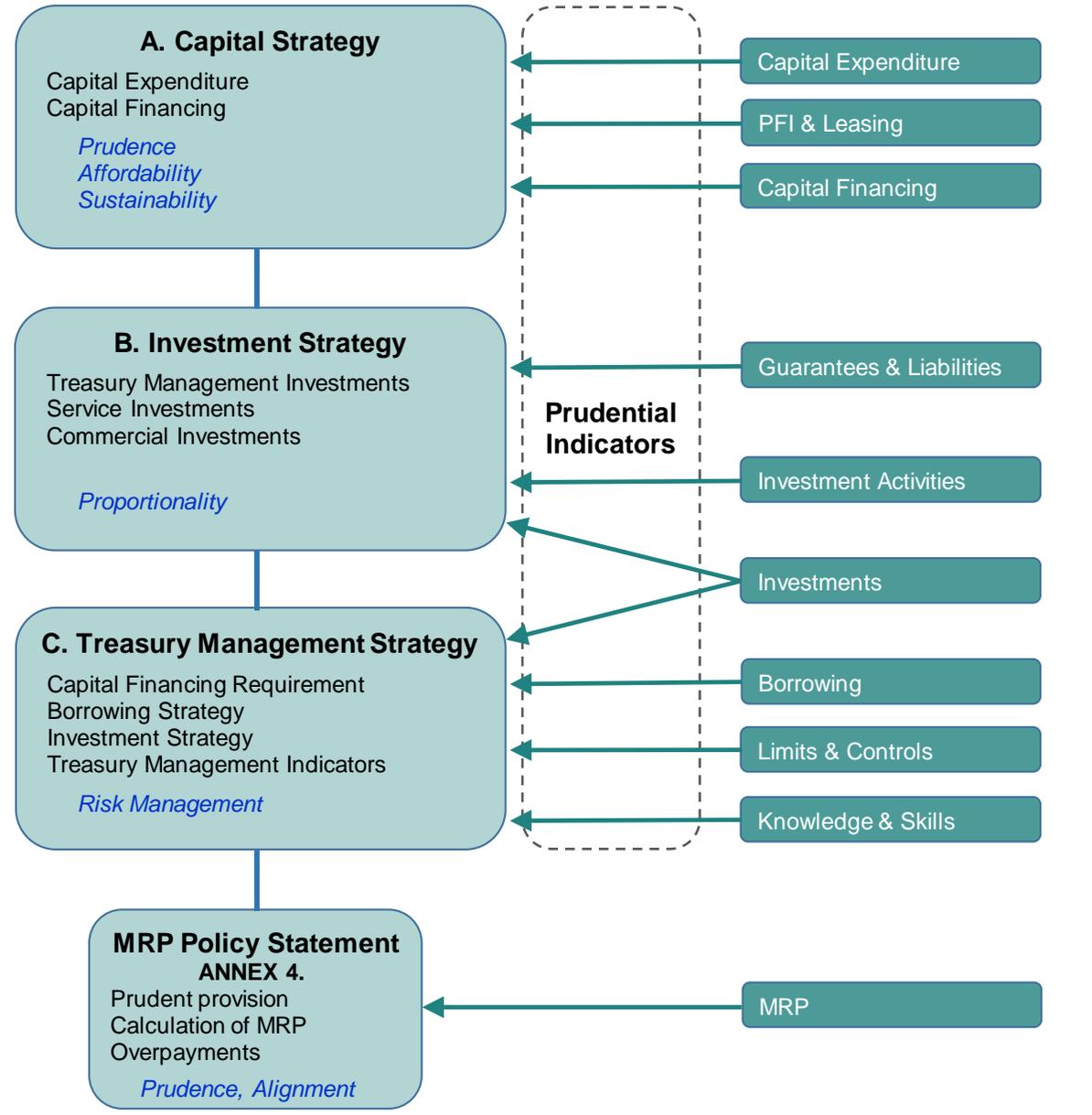
## **Capital, Investment and Treasury Strategies 2022/23 to 2024/25**

## 1 Introduction and Background – The CIPFA Prudential Code

- 1.1 In a significant move by the Government in 2004, local authorities were given substantial freedoms to borrow for the purposes of “Capital Investment.” This followed many years of restrictions on borrowing for capital expenditure. Regardless of those freedoms, statute requires local authorities to follow professional codes of practice.
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA), acting on behalf of the Government, introduced the Prudential Code of Practice to accompany these new freedoms. Authorities in England and Wales are required by regulation to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out their duties under Part 1 of the Local Government Act 2003. Throughout this document we shall refer to this code as the Prudential Code.
- 1.3 The Prudential Code underpins the system of capital finance. It has continuously placed responsibilities on councils and their Members to ensure that a range of mechanisms are in place for defining, monitoring and controlling capital, investment and borrowing activities. One key aspect of the mechanism was the setting of prudential indicators. Set locally, prudential indicators measure and control the impact of capital expenditure, borrowing costs and investment risks on local authorities.
- 1.4 The CIPFA Prudential Code sits alongside a second code, the CIPFA Treasury Management Code of Practice. Acting in tandem, the two Codes broadly oblige authorities to exercise transparency and accountability and to allocate responsibility for capital investment and treasury management decisions. Authorities must follow both codes of practice.
- 1.5 Some nationally significant events have occurred since the Prudential Code was first published. Widely publicised in the media, each of these events have led to tightening of the Code over the years. In recent years one such aspect has caught the attention of the Government, that being the substantial increase in local authority borrowing that correlates with an increase in commercial investment. A recent report by the National Audit Office (‘Local Authority Investment in Commercial Property’) established that, since 2016, there had been a rapid expansion in authorities acquiring commercial property outside their geographical areas for the purposes of generating yield. These ‘investments’ usually relied on borrowing to finance their cost, with substantial sums made up of borrowing from the government through the Public Works Loan Board (PWLB).
- 1.6 In response, the Treasury withdrew availability of new borrowing from PWLB by local authorities that invested in commercial property after 26 November 2020.

- 1.7 Subsequently, the Government's concerns led to revisions to the Prudential Code and a new edition was published on 20 December 2021.
- 1.8 The Code's revised reporting requirements include changes to the capital strategy, prudential indicators and investment reporting. The requirements of the revised Prudential Code applied with immediate effect following publication; in particular this includes the stipulation that an authority must no longer borrow to invest primarily for a financial return. The only aspect that authorities may choose to defer are the revised reporting requirements set out by the Code. This deferral recognises the timing of the revised Code's publication and the limited time available for authorities to respond in developing reporting mechanisms. The reporting changes may be deferred until the 2023/24 financial year although, in updating the three Strategies contained in this document, we have introduced some of the new elements where data is available.
- 1.9 Shaped by the Prudential Code, this collection of Capital, Investment and Treasury Strategies for 2022/23 to 2024/25 complement with each other. This collection of Strategies also supports, and is supported by, the Revenue and Capital Budgets for the General Fund and Housing Revenue Account, both for next financial year (2022/23) and in the Medium-Term Financial Plan. Contained within them are the tools demonstrating that affordability, sustainability and prudence have been exercised in the setting of those budgets.
- 1.10 **It is important to take into account that, whilst the tables, charts, Prudential Indicators and data referred to in the following strategies relate to and support the Council's budget and Medium-Term Financial Plan (to be presented to Full Council in February 2022), continually changing circumstances will result in revisions to the forecasts and estimates contained throughout this document.** The document, as a general rule, draws upon and aligns with the estimates contained in the budgets reported.
- 1.11 To accommodate the merger of the County and District Councils in Somerset into one Unitary Council on 1 April 2023, the Prudential Indicators, and most of the data sets in this collection of Strategies, cover actual results for 2020/21, forecasts for 2021/22 and estimates for the three-year period 2022/23 to 2024/25. This contrasts with earlier years' reports, which extended as far forward as five years. Estimates for financial years beyond 2022/23 (after which the Unitary Council commences) are included because the Prudential Code requires indicators for prudence to be set over a minimum three-year rolling period. The indicators are set out as though Somerset West and Taunton Council were to continue with its present objectives.
- 1.12 The diagram overleaf illustrates how the three Strategies are laid out in this document, along with the Council's Minimum Revenue Provision (MRP) Statement.

# CAPITAL, INVESTMENT AND TREASURY STRATEGIES



# A. Capital Strategy

## 1 Introduction

- 1.1 This capital strategy report gives a high-level overview of how capital expenditure and capital financing that contribute to the provision of local public services.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework summarised throughout the three Strategies contained within this document.
- 1.3 Somerset West and Taunton was created on 1 April 2019, with its assets, its 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 which represented a small proportion of the value of capital assets transferred. In respect of its Housing services, Taunton Deane Borough Council transferred its Housing stock assets and associated borrowing requirement to the new Council. Plans to meet the costs of the legacy borrowing requirement are embedded in both General Fund and Housing Revenue Account budgets and respective ongoing medium- and long-term financial plans.

## 2 Capital Expenditure

### **Governance arrangements for developing the Capital Programme**

- 2.1 New capital schemes and projects are added to the capital programme as part of the annual budget setting process. However, the Council's governance arrangements allow for new schemes and projects to be added to, or removed from, the programme during the year, subject to appropriate officer and Member approvals and review by the Members' Scrutiny process.
- 2.2 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 required (namely for capital projects that are not on-going programmes of work). Bids are collated within the Finance department to summarise the potential expenditure requirement (including one-off capital costs and ongoing revenue costs). Bids should also identify the capital financing options, including

setting aside monies from the revenue account in future years to recognise the cost of any borrowing needed for capital investment. The process of setting aside monies is referred to as Minimum Revenue Provision, or MRP. The Council's Asset Management Strategy and Plan also inform the programme, as well as strategic development and improvement programmes.

- 2.3 The draft programme is presented initially to the Senior Management Team 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. Here the Programme is considered for approval alongside the annual revenue budgets in February. The complete process ensures that affordable projects support delivery of future service objectives. Capital investment should be proportionate to the capacity of the Council's short-term and long-term resources.

### **Capital Programme**

- 2.4 The Capital Programme is a primary record of all approved capital projects in which the Council plans to invest. Covering each of the Council's directorates, it sets out 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 undergoes a major review annually so that the resources required to deliver the capital programme may be recognised in the revenue budgets, taking into account the availability of capital resources and the financing cost implications.
- 2.5 Progress against the Capital programme is also monitored regularly throughout each financial year. Cumulative expenditure is updated monthly, and spending departments informed. Formal reporting to senior management and the Council's Audit and Scrutiny Committee occurs every quarter, alongside revenue budget monitoring. Therefore, the Council's governance arrangements provide scope for new schemes and projects to be added to or removed from the programme during the course of a financial year in response to changing needs and resources.

### **Capital Expenditure Estimates**

- 2.6 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, all of which will be used for more than one year, as well as larger-scale maintenance works that extend the life of, or enhance, the Council's existing assets. In local government capital expenditure can also include supporting the acquisition of assets by other bodies; in such cases, the Council may provide service loans and grants to local organisations enabling them to buy assets that contribute to achievement of the Council's corporate objectives or service provision. The Council is largely constrained in what it may deem as capital expenditure, with allowable items needing to meet the definitions set within capital regulations. Items that fail to meet these definitions must be charged as revenue expenditure in the year. The Council's policies also determine that assets costing below

£10,000 will not be capitalised and are similarly charged as revenue expenditure. This is reflected in the Council's Statement of Accounts each year.

- 2.7 The information included in the table below shows totals for the Council's actual capital spend in 2020/21, together with budgets and estimates for the financial years 2021/22 onwards:

| TABLE 1<br><br>CAPITAL PROGRAMME      | ACTUAL AND ESTIMATES OF CAPITAL EXPENDITURE |                             |                             |                             |                             |                           |
|---------------------------------------|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------|
|                                       | 2020/21<br>Actual<br>£000                   | 2021/22<br>Forecast<br>£000 | 2022/23<br>Estimate<br>£000 | 2023/24<br>Estimate<br>£000 | 2024/25<br>Estimate<br>£000 | 2021-25<br>Totals<br>£000 |
| General Fund Services                 | 19,260                                      | 23,593                      | 39,554                      | 38,844                      | 8,997                       | 110,988                   |
| Capital Property Investments          | 44,074                                      | 54,875                      | 0                           | 0                           | 0                           | 54,875                    |
| Housing services (HRA)                | 9,146                                       | 17,822                      | 30,406                      | 32,144                      | 29,953                      | 110,325                   |
| Lease Liabilities (accounting change) | 0   | 0                           | 279                         | 361                         | 379                         | 1,019                     |
| <b>Totals</b>                         | <b>72,480</b>                               | <b>96,290</b>               | <b>70,239</b>               | <b>71,349</b>               | <b>39,329</b>               | <b>277,207</b>            |

Capital Investment relating to the General Fund

- 2.8 The main General Fund capital projects relating to mainstream services focus on investment in new and existing operational assets and on issuing capital grants to support the delivery of the Council's 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. The most-substantial projects contained within the capital programme, including both mainstream and commercial properties, with expenditure between 2021/22 and 2024/25 include the following:

| Major General Fund Schemes - Estimated total<br>Capital Expenditure from 2021/22 to 2024/25 | £million |
|---|----------|
| Investment Properties   | 55.930   |
| Other Regeneration Schemes/ Projects  | 33.484   |
| Firepool Block 1 Construction   | 13.427   |
| Firepool Phase 1 Carparks   | 10.352   |
| Projects supported by Community Infrastructure Levy   | 7.404    |
| Flooding Alleviation  | 6.000    |
| Firepool Phase 1 infrastructure   | 5.156    |
| Blue Anchor Coast Protection  | 3.528    |
| Coal Orchard Construction   | 2.723    |
| Active Travel   | 2.258    |

### Commercial Property Investments

- 2.9 The Commercial Property Investment Strategy was developed to invest £100million between 2020/21 and 2021/22 to create a diversified, cross-sector, institutional grade property portfolio which will bring in gross additional income to the General Fund. The Strategy follows a reduction in Council income streams and increasing volatility around other funding sources, requiring Somerset West and Taunton Council to generate new sources of additional revenue to support front line services. Acquisition of the Council's capital investment portfolio of commercial properties was successfully completed on 17 December 2021. The Council has no plans to extend its investment in this field any further. The Council's Commercial Property Investments are covered in detail within the Investment Strategy, Section B of this document.

### Capital Investment relating to the Housing Revenue Account

- 2.10 The Housing Revenue Account (HRA) is a ring-fenced, self-financing, account used to manage the Council's housing stock of some 5,700 properties. The Council acts as the Landlord to the tenants of those properties. The HRA has its own ring-fenced revenue account, capital programme and reserves. This ensures that council housing neither subsidises, nor is itself subsidised by, Council Tax payers.

- 2.11 The HRA Capital Programme's main purpose is to invest in the housing portfolio to replace major components periodically, to ensure that the decent homes standard and warmer homes standards are maintained and that fire safety regulations are adhered to.
- 2.12 The programme also includes major works to related assets such as garages, meeting/ community halls and shops, and home aids and adaptations in tenants' homes where there are mobility issues. The introduction of a new accounting standard (IFRS 16) requires the Council to recognise lease costs as capital expenditure so that assets are recognised on the Council's balance sheet. This is envisaged to occur from 1 April 2022.
- 2.13 The current capital programme also includes a significant investment in social housing development. There is the North Taunton Woolaway Project which is a regeneration scheme to replace properties that were coming to the end of their useful life. Part of this project will also increase the housing stock portfolio, along with other schemes such as Seaward Way, Oxford Inn and the Zero Carbon Pilot, to deliver vital additional affordable homes.
- 2.14 The HRA Capital Programme is funded from an appropriate combination of Major Repairs Reserves (accumulated from depreciation), revenue contributions, capital receipts, capital grants and borrowing.

### **Asset Management**

- 2.15 Asset Management falls within the responsibilities of both the External Operations and Climate Change Directorate and the Housing and Communities Directorate. The Council also manages the commercial property investment portfolio through the Commercial Property Investment Board and the Major and Special Projects team within the Development and Place Directorate, with access to the Council's internal specialists and appointed managing agents.
- 2.16 The Council has a core team of qualified property professionals who advise on acquisitions, disposals and day-to-day management and condition of all Council assets.
- 2.17 The property specialists continually assess maintenance and work programmes to preserve the Council's properties so that they may retain their functionality for providing services, meeting the Council's responsibilities and complying with health and safety requirements. Such responsive work feeds into the Capital Programme where investment in or upgrading of assets is required, or into revenue budgets where maintenance of assets is needed.
- 2.18 The assets already within the Council's ownership are actively managed on a day-to-day basis to minimise costs and risks and to maximise any receipts and income potential, adopting the principles of Value for Money. 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

- 2.19 In proactively managing the Council's diverse portfolio of properties, the asset management teams make recommendations to the Council's Senior Management Team, Executive, and Council both at a strategic level and as part of day-to-day operations.
- 2.20 The Investment Properties portfolio is managed under special governance arrangements contained within the Council's Commercial Investment Property Strategy, approved December 2019 and revised January 2022. Further details of the portfolio are set out in the Investment Strategy, Section B of this document.
- 2.21 In line with the revised requirements of HM Treasury and the CIPFA Prudential Code, disposals will be closely considered on an on-going basis.

### **3 Capital Financing**

- 3.1 All capital expenditure must be financed, and there are a range of potential funding sources the Council may use, including its own resources or financing available from external sources. The main headings for the options available to finance capital expenditure include the following:
- Capital receipts from asset disposals and repayments of loans to external organisations,
  - Capital grants, mainly originating from the Government or other local authorities,
  - Contributions from other bodies, such as Section 106 (s106) contributions and Community Infrastructure Levy (CIL),
  - Revenue Contributions to Capital, comprising sums applied from the Revenue Budget or Revenue Reserves,
- and any expenditure not financed by the above items is added to the Council's Capital Financing Requirement (CFR) and will be financed from:
- Debt financing, such as borrowing, capital market bonds, leasing, etc.

#### **Capital Financing Plan**

- 3.2 The planned financing of the capital expenditure (sumarised in Table 1, above) is illustrated in Table 2 (overleaf):

| TABLE 2  | CAPITAL FINANCING PLAN    |                             |                             |                             |                             |                           |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------|
|  | 2020/21<br>Actual<br>£000 | 2021/22<br>Forecast<br>£000 | 2022/23<br>Estimate<br>£000 | 2023/24<br>Estimate<br>£000 | 2024/25<br>Estimate<br>£000 | 2021/25<br>Totals<br>£000 |
| <b>External sources:</b>                       |                           |                             |                             |                             |                             |                           |
| Grants and contributions                       | 5,411                     | 3,462                       | 18,502                      | 1,847                       | 1,059                       | 24,870                    |
| S106   | 2,369                     | 1,535                       | 1,011                       | 0                           | 0                           | 2,546                     |
| CIL  | 926                       | 815                         | 1,951                       | 10,400                      | 0                           | 13,166                    |
| <b>                    subtotal - External</b> | <b>8,706</b>              | <b>5,812</b>                | <b>21,464</b>               | <b>12,247</b>               | <b>1,059</b>                | <b>40,582</b>             |
| <b>Internal sources:</b>                       |                           |                             |                             |                             |                             |                           |
| Capital receipts                               | 2,097                     | 2,799                       | 5,987                       | 3,670                       | 2,535                       | 14,991                    |
| Major Repairs Reserve                          | 4,361                     | 12,150                      | 9,952                       | 7,896                       | 8,133                       | 38,131                    |
| Revenue contribns & reserves                   | 3,116                     | 2,304                       | 1,507                       | 0                           | 0                           | 3,811                     |
| <b>                    subtotal - Internal</b> | <b>9,574</b>              | <b>17,253</b>               | <b>17,446</b>               | <b>11,566</b>               | <b>10,668</b>               | <b>56,933</b>             |
| <b>Debt</b>                                    |                           |                             |                             |                             |                             |                           |
| Loans taken out HRA                            | 3,470                     | 4,142                       | 17,135                      | 20,578                      | 19,285                      | 61,140                    |
| Loans taken out GF                             | 50,730                    | 69,083                      | 13,915                      | 26,597                      | 7,938                       | 117,533                   |
| Loans taken out subtotal                       | 54,200                    | 73,225                      | 31,050                      | 47,175                      | 27,223                      | 178,673                   |
| Leases   | 0                         | 0                           | 279                         | 361                         | 379                         | 1,019                     |
| <b>                    subtotal - Debt</b>     | <b>54,200</b>             | <b>73,225</b>               | <b>31,329</b>               | <b>47,536</b>               | <b>27,602</b>               | <b>179,692</b>            |
| <b>TOTAL</b>                                   | <b>72,480</b>             | <b>96,290</b>               | <b>70,239</b>               | <b>71,349</b>               | <b>39,329</b>               | <b>277,207</b>            |

- 3.3 The allocation of resources does vary over time. For example, additional income may be available through asset sales (which generate capital receipts) or by obtaining new external grant funding. The Capital Financing Plan set out in Table 2 is a snapshot that aligns with the Council's budget, tabled for consideration in February 2022. However, as stated above, the financing of capital expenditure is a dynamic process. With regular changes in financing sources, it is overseen by the Council's s151 Officer to optimise financing arrangements on an ongoing basis. Therefore, the estimated Plan does 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 based on the resources that became available during the year. The outcomes are reported to and considered by Members of the Scrutiny Committees and by the Audit and Governance Committee as well as by the external audit process.

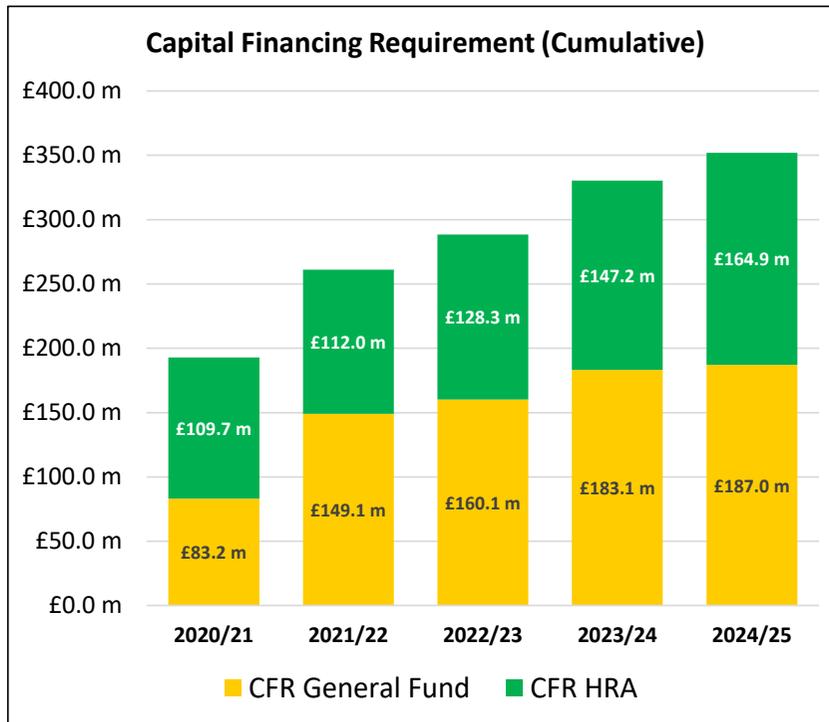
- 3.4 The mechanics of financing capital expenditure from borrowing are determined by capital regulations and Codes of Practice, which ensure that such expenditure is spread across future years to reflect that their benefits stretch across future years; this is a protection against spikes in Council Tax and Housing Rent payments so that large capital investment sums are not charged immediately.
- 3.5 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 is referred to as ‘internal borrowing.’ It neither reduces the magnitude of borrowing required nor the level of funds held in reserves and balances. The practice simply utilises cashflow balances in the short-term until they are required for their intended purposes, which often represents good value for money and reduces investment risks. This is because, when ‘surplus’ cashflow is available, adding externally borrowed sums to that ‘surplus’ cashflow would require higher investment balances to be held in institutions which, in turn, are subject to risk of market failure (however slight those risks may be). More attention to investment risk is set out in the Treasury Management Strategy, Section C of this document.
- 3.6 Naturally, debt in the form of loans and leases must be repaid. Although borrowing from external sources may, for example, require repayment of the borrowed sum at the end of a loan period, regulations require the Council to set aside amounts annually so that financial capacity is available to repay the borrowing when it is due. This method of setting amounts aside occurs over a period of years, mainly by financing from revenue using the mechanism of Minimum Revenue Provision (MRP) or from voluntary overpayments (voluntary revenue provision), which may release revenue budgets from ongoing financial strain. Alternatively, capital receipts may be used as an alternative to taking out new borrowing, and hence remains a locally determined alternative source of capital financing.

### **Capital Financing Requirement**

- 3.7 The Council’s cumulative amount of debt finance is measured by the Capital Financing Requirement (CFR). This is an important measure that determines the maximum borrowing requirement of the Council over the course of years that Council assets may be employed for the delivery of services. The basic mechanism behind the CFR involves a cumulative value that increases over time with new unfinanced capital expenditure met from borrowing (i.e. cannot be financed from grants, capital receipts, etc); the CFR then reduces each year by MRP repayments and voluntary overpayments.
- 3.8 The CFR is expected to increase by £26.71million during 2022/23 (comprising £10.44million for the General Fund and £16.27million for the HRA). Based on the above annual forecasts for capital expenditure and the profile of capital financing (Tables 1 and 2) the Council’s estimated cumulative CFR for 2021/22 to 2024/25 is shown below in Table 3 (overleaf), alongside the actual results from the final accounts for 2020/21:

| TABLE 3                        | ACTUAL AND ESTIMATED CAPITAL FINANCING REQUIREMENT |                             |                             |                             |                             |
|--------------------------------|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                | 2020/21<br>Actual<br>£000                          | 2021/22<br>Forecast<br>£000 | 2022/23<br>Estimate<br>£000 | 2023/24<br>Estimate<br>£000 | 2024/25<br>Estimate<br>£000 |
| <b>General Fund</b>            |  |                             |                             |                             |                             |
| CFR balance b/fwd              | 33,955   | 83,203                      | 149,089                     | 160,145                     | 183,090                     |
| Expenditure                    | 63,335   | 78,468                      | 39,554                      | 38,844                      | 8,997                       |
| Accounting adj - Leases        | 0  | 0                           | 124                         | 184                         | 196                         |
| MRP/VRP                        | -1,395   | -3,197                      | -2,983                      | -3,836                      | -4,271                      |
| Capital receipts used          | -740   | -1,797                      | -2,668                      | 0                           | 0                           |
| Grants and contributions       | -11,952  | -7,588                      | -22,971                     | -12,247                     | -1,059                      |
| <b>GF CFR balance c/fwd</b>    | <b>83,203</b>                                      | <b>149,089</b>              | <b>160,145</b>              | <b>183,090</b>              | <b>186,953</b>              |
| <b>HRA</b>                     |  |                             |                             |                             |                             |
| CFR balance b/fwd              | 107,981  | 109,717                     | 112,038                     | 128,307                     | 147,240                     |
| Expenditure                    | 9,146  | 17,822                      | 30,406                      | 32,144                      | 29,953                      |
| Accounting adj - Leases        | 0  | 0                           | 155                         | 176                         | 183                         |
| MRP                            | -1,821   | -1,821                      | -1,021                      | -1,821                      | -1,821                      |
| Capital receipts used          | -1,357   | -1,002                      | -3,319                      | -3,670                      | -2,535                      |
| Grants and contributions       | -4,232   | -12,678                     | -9,952                      | -7,896                      | -8,133                      |
| <b>HRA CFR balance c/fwd</b>   | <b>109,717</b>                                     | <b>112,038</b>              | <b>128,307</b>              | <b>147,240</b>              | <b>164,887</b>              |
| <b>Total CFR balance c/fwd</b> | <b>192,920</b>                                     | <b>261,127</b>              | <b>288,452</b>              | <b>330,330</b>              | <b>351,840</b>              |

- 3.9 Table 3 shows that the Council's proposed capital strategy and capital investment plans are expected to increase the overall indebtedness position over the next 3 years (2022/23 to 2024/25) for both the General Fund and the Housing Revenue Account. The outcome for CFR is also illustrated in the graph, overleaf, which separates out the General Fund and HRA.



3.10 It is important to ensure capital plans are affordable and the Council can meet the costs of this debt over both the short- and long-term. The Council's Medium Term Financial Plan is therefore an important monitor because it includes the impact of debt financing costs on revenue budgets in future years. This is supported by the appraisal process for capital schemes over the life of the assets being acquired. In relation to Housing Revenue Account assets, which are predominantly of high value and long life, the HRA Business Plan sets out the impact of capital expenditure over a 30-year period. Other measures of affordability are contained within the prudential indicators set out in the Treasury Management Strategy, Section C of this document.

3.11 From the graph, we see a significant increase in the General Fund CFR from 2020/21 to 21/22 as a result of the final year of investment in commercial properties. A less-pronounced spike occurs in 2023/24 as a result of investment in regeneration, flood alleviation and development of the Firepool scheme.

3.12 Taking on borrowing and other forms of debt should follow a planned approach, taking account of economic conditions that influence interest rates, ensuring the Council is protected from risks (e.g. by spreading maturity dates to protect against interest rate volatility), and requiring a range of skills, controls and procedures. The Treasury Management and Borrowing Strategy is set out in Section C of this document. Setting out the Council's Borrowing Strategy, it also takes forward the link between the CFR and borrowing.

3.13 Meanwhile, having access to alternative sources to finance capital expenditure reduces dependence on borrowing. Details of the alternative sources of capital financing are provided in Annex 1 to this document.

## 4 Revenue Budget Implications

- 4.1 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 referred to 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 4                | General Fund Proportion of financing costs to revenue stream |                              |                              |                              |                              |
|------------------------|--|------------------------------|------------------------------|------------------------------|------------------------------|
|                        | 2020/21<br>Actual<br>£'000                                   | 2021/22<br>Forecast<br>£'000 | 2022/23<br>Estimate<br>£'000 | 2023/24<br>Estimate<br>£'000 | 2024/25<br>Estimate<br>£'000 |
| Financing costs        | £1.51m   | £4.03m                       | £3.93m                       | £5.52m                       | £5.95m                       |
| Proportion of turnover | 1.24%  | 4.02%                        | 5.04%                        | 6.93%                        | 7.33%                        |

NOTE TO TABLE 4 – Whilst this table has previously reported financing costs as a proportion of net revenue stream, this was found to substantially overstate the level of risk for the authority's budgets. The measure has been updated to keep the impact of financing costs in perspective with the Council's turnover, which presents a more-meaningful measure.

- 4.2 The percentage of financing costs to turnover increases noticeably over the medium term. This is through a combination of increased capital investment – predominantly for commercial and regeneration purposes – and the expected reduction in funding primarily related to business rates, new homes bonus and Government support for Covid. Although this indicator identifies increased risk, the majority of increased financing costs are planned to be offset by income from commercial and regeneration investment. Through prudent investment, it is anticipated that investment income will be less volatile and more predictable than other financing income such as business rates and government grants. This is reflected in the financial strategy and medium term financial plan.
- 4.3 Similarly for the Housing Revenue Account, Table 5 shows how the financing costs may be set out as a proportion of the HRA revenue stream, primarily comprising rents and service charges.

| TABLE 5                          | HRA Proportion of financing costs to revenue stream |                              |                              |                              |                              |
|----------------------------------|---|------------------------------|------------------------------|------------------------------|------------------------------|
|                                  | 2020/21<br>Actual<br>£'000                          | 2021/22<br>Forecast<br>£'000 | 2022/23<br>Estimate<br>£'000 | 2023/24<br>Estimate<br>£'000 | 2024/25<br>Estimate<br>£'000 |
| Financing costs                  | £4.26m  | £4.49m                       | £3.90m                       | £5.13m                       | £5.39m                       |
| Proportion of net revenue stream | 15.78%  | 16.23%                       | 13.74%                       | 17.25%                       | 17.10%                       |

- 4.4 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 incorporated into the Council's MTFP.

## 5 Liabilities

- 5.1 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 £140.2m as at 31 March 2021. 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 £0.945m to cover provisions for probable costs. As with all local councils, SWT Council will always remain at risk of having to set aside sums for contingent liabilities, but has not identified any need to set aside monies at the time of writing; however, payment remains contingent on, as yet, unknown events occurring which will be incorporated into the Council's annual Statement of Accounts, in accordance with proper accounting practice.

## 6 Sustainability

- 6.1 Due to the 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 50 years into the future. The S151 Officer is satisfied that the Capital Programme, proposed as part of the 2022 budget approval process, is prudent, affordable and sustainable because:

- the Council has adequate means of financing and repaying any required borrowing, which is profiled across varying time periods to reduce risks of cost spikes arising from acute economic events.
- the Council maintains a balanced budget that can adequately fund the expenditure with sufficient contingency reserves and balances to accommodate emergencies and unexpected events.
- Continued development of the Capital Programme links to the Annual Plan.
- Regular capital monitoring and scrutiny processes ensure the performance of capital investment against the approved Capital Programme.
- Whole Life Appraisal – a systematic assessment of all relevant expenses, income and performance associated with the acquisition, procurement, ownership, refurbishment and potential disposal of an asset over its life thus allowing the Council to plan our medium- and long-term financial commitments. Projects are assessed for how they meet specific service needs, generate savings or an income stream to the Council, and how they mitigate risks.

# B. Investment Strategy

## 1 Introduction

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

- i) **treasury management investments** - surplus cash resulting from its day-to-day receipts and payments activities, for example when income is received in advance of expenditure.
- ii) **service investments** - to support local public services by lending to or buying shares in other organisations.
- iii) **commercial investments** to earn investment income to meet the wider needs of the Council.
- iv) **regeneration investments** - to realise the Council's key objective to stimulating change in the local community and business environment that would be unlikely if left solely to market activity.

1.2 Treasury investment balances 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.

1.3 The Council's policy on treasury investments is to **prioritise security and liquidity over yield**, therefore the Council's primary focus is 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. Whilst yield is not the primary objective, it is important 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 investments to buy; the Council may request its money back at relatively short notice in accordance with individual funds' requirements.

1.4 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, in that order of priority**. The yield curve has reduced in the last 12 months to such an extent that returns through long-term treasury investment are minimal. It is therefore anticipated that investment will remain in the near

term, maximising security and liquidity/ flexibility. The assessment of adequate general reserves also incorporates an element of risk to investment income assumptions.

| TABLE 6               | Treasury Management Investments |                   |                   |                   |                   |
|-----------------------|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|                       | 2020/21                         | 2021/22           | 2022/23           | 2023/24           | 2024/25           |
|                       | Actual<br>£'000                 | Forecast<br>£'000 | Estimate<br>£'000 | Estimate<br>£'000 | Estimate<br>£'000 |
| Near term investments | 44,761                          | 30,500            | 30,000            | 20,000            | 20,000            |
| Long term investments | 3                               | 3                 | 3                 | 3                 | 3                 |
| <b>Total</b>          | <b>44,764</b>                   | <b>30,503</b>     | <b>30,003</b>     | <b>20,003</b>     | <b>20,003</b>     |

1.5 Further details of existing treasury investments can be found in the Treasury Management Strategy, Section C, below.

1.6 **Risk Management** - The effective management and control of risk is a prime objective of the Council's treasury management activity. The Treasury Management Strategy 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.

1.7 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 and Governance Committee mid-year and at year-end. In line with the new Prudential Code, the reporting arrangements will increase this frequency to quarterly with effect from 2023/24.

## 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 £20m and £50m at the extreme, and depending upon major cashflow movements during the 2022/23 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 2022/23 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 to 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.
  - 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 five community sports clubs.
- 3.2 The Council has included provision in its Capital Programme to provide further loan finance to the Somerset Waste Partnership for new vehicles in 2021/22 and for waste containers in 2022/23 towards delivery against the Recycle More scheme 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 (see overleaf):

| TABLE 7               | Loans for Service Purposes                              |                            |                                    |                                       |
|-----------------------|---|----------------------------|------------------------------------|---------------------------------------|
|                       | Actual as at 31 March 2021<br>Balance<br>Owing<br>£'000 | Loss<br>Allowance<br>£'000 | Net figure<br>in accounts<br>£'000 | 2022/23<br>Approved<br>Limit<br>£'000 |
| Category of borrower: |   |                            | 0                                  |                                       |
| Businesses            | 1,573   | -71                        | 1,502                              | 1,600                                 |
| Charity / Community   | 28  | -1                         | 27                                 | 28                                    |
| Local Authorities     | 4,280   | 0                          | 4,280                              | 6,800                                 |
| Residents             | 377   | -15                        | 362                                | 1,200                                 |
| <b>Total</b>          | <b>6,258</b>  | <b>-87</b>                 | <b>6,171</b>                       | <b>9,628</b>                          |

- 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 Council's 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 this type of service loans arrangement by working up a robust business case and applying due diligence to all requests for service loans, carrying out 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 whilst 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.
- 3.6 In view 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, and decisions upon granting such loans are made on the basis that repayment to the Council remains a firm and realistic commitment.
- 3.7 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.

## **Investment and Regeneration Activities**

- 3.8 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. Further details of the Council's regeneration schemes are contained in Annex 2 of this document.

## **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.

## **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.
- 5.2 The Council holds some assets that were initially acquired for service purposes such as benefitting the local economy but these have since been reclassified as investment properties. They are now established and the main purpose for holding the assets is for rental income. Table 8 (overleaf) summarises the commercial property investment programme and, for completeness, shows local investment properties held as part of the Council's mainstream support to aid local regeneration and business within the SWT District:

| <b>TABLE 8</b>  | <b>Properties held for investment purposes</b>             | <b>£'000</b>   |
|---|--|----------------|
| <b>Commercial Properties held for yield</b> (acquired during 2020/21 and 2021/22) |  |                |
|   | Aztec West   | 9,573          |
|   | The Range  | 5,781          |
|   | B&Q  | 6,998          |
|   | Wickes   | 9,819          |
|   | JLR  | 6,130          |
|   | Quinton Business Park                                      | 5,766          |
|   | Audi, Cardiff  | 7,190          |
|   | Coast Road Retail Park                                     | 12,585         |
|   | Fenick House   | 4,783          |
|   | Reflex, Barwell  | 5,425          |
|   | Reflex, Ossett   | 2,624          |
|   | Steelite   | 22,270         |
|   | <b>Subtotal, Commercial Investments</b>                    | <b>98,944</b>  |
| <b>Investment Properties held to support local business and regeneration</b>      |  |                |
|   | Land at Brunel Way   | 265            |
|   | The Arcade (Formerly The Carousel or K's)                  | 297            |
|   | Roughmoor Enterprise Centre (Employment Workspace)         | 1,404          |
|   | Blackdown Business Park, Wellington (4 Units)              | 1,344          |
|   | Gaumont Theatre (Mecca Bingo), Corporation Street, Taunton | 1,530          |
|   | Other properties with values below £250k                   | 1,141          |
|   | <b>Total all properties</b>                                | <b>104,925</b> |

- 5.3 With central government financial support for local public services declining, the Council established a programme of investing in commercial property for the purpose of generating a financial gain that ensures the continuation of the Council's services to the local community and local businesses. Acquisition of the Council's capital investment portfolio of commercial properties was successfully completed on 17 December 2021. The Council has no plans to extend its investment in this field any further. Total commercial investments hold a purchase value of £98.9million. Table 9, below, shows the forecast net income contributions between 2021/22 and 2024/25. These levels of return have been prudently set, taking account of the

risk of higher interest rates for borrowing in the latter years, as well as setting aside sums for debt repayment and to add to reserves.

| TABLE 9                                | Net income from commercial and service investments to net revenue stream |                     |                     |                     |
|--|--|---------------------|---------------------|---------------------|
|  | 2021/22<br>Forecast  | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate |
| Net income from commercial investments | £3.72m   | £4.49m              | £3.36m              | £3.36m              |
| Proportion of net revenue stream       | 19.84%   | 26.38%              | 23.11%              | 21.76%              |

5.4 With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures are summarised as follows:

- The commercial investment net income is underpinned by very strong governance and due diligence, which helps to minimise risks. The Council finalised its planned investment in December 2021, with the budget estimates reflecting the completed portfolio. The risks associated with this investment include market and economic risks as well as potential volatility in income, financing, and management costs. This is mitigated through prudent budgeting and earmarked investment risk reserves.
- The Government’s decision to restrict access to PWLB means alternative sources of long-term borrowing may be needed in future. There are competitive alternatives available, as evidenced by financing having already been secured from other local authorities, however this represents a risk in terms of estimating future borrowing costs.
- Property investment income: Whilst income volatility is expected to be low, no investment is risk-free. For financial planning sensitivity analysis purposes, 5% adverse volatility would impact income by c£360k. This risk is mitigated through the Investment Risk Reserve.
- Risk of rising interest rates and the wider economy may impact on investment income and borrowing costs.

5.5 As an overriding approach to mitigate the above, a uniformly prudent approach to budget estimates and debt repayment has been taken, with adequate funds held in an investment risk reserve. An assessment of the consolidated cash flows, investment and borrowing requirements will be completed through the LGR Finance Workstream. This will inform the development of longer treasury management strategies including borrowing and refinancing requirements.

- 5.6 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, and refreshed in December 2020. Property and most other commercial investments are also capital expenditure and purchases have been reported as part of the Council's capital programme. Performance of the investment portfolio are reported to the Executive and also incorporated within the overall financial monitoring reports throughout the year.
- 5.7 The Investment Properties portfolio is managed in line governance arrangements contained within the Council's Commercial Investment Property Strategy, approved December 2019 and revised January 2022. The original Strategy formed the basis upon which an intricate process of due diligence, review and accountability has been employed in building the investment property portfolio, all of which have been actively achieved throughout the acquisition process. The revised Strategy focuses on ongoing management, including how property will be managed during the transition phase to a new Unitary Council for Somerset. Management of the Investment Properties extends to monitoring deliverables, risks, performance, asset values and ongoing value for money.
- 5.8 Further to publication of the latest CIPFA Prudential Code in December 2021, Somerset West and Taunton Council fully recognises that the Prudential Code has brought about changes to how local authorities invest primarily for financial return and, forthwith, the Council is committed to adhering to the Prudential Code's determination that:
- 'In order to comply with the Prudential Code, an authority must not borrow to invest primarily for financial return.
  - It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.'

#### Other Property Investment Matters

- 5.9 **Security:** 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 or decrease over the course of time due to conditions in the property market; as a pre-requisite for all investments aligned with property, it is necessary to take a long-term perspective on performance, valuation and security, enforcing the assumption that capital values are likely to hold or grow over the life of these assets.
- 5.10 As an integral part of the preparation of the Council's annual accounts for 2021/22, a fair value assessment of the Council's investment property portfolio is to be taken by the Council's valuers, in line with proper accounting practice. Should the

2021/22 year-end accounts value these properties below their purchase cost, then an update will be reported to Full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

- 5.11 **Risk assessment:** The Council has conducted detailed assessment of the risks of loss before entering into purchases of its property investment portfolio by undertaking considerable due diligence, including commissioning surveys and specialist property valuation advice and proactively challenging findings and assumptions along the way. This will have included considerations of the strength of local market conditions to give confidence on future re-letting, the financial strength of business tenants and also considers possible alternative uses, if appropriate. The Council, through its Investment Board, actively monitors the portfolio to ensure tenant obligations for maintaining assets are fulfilled.
- 5.12 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice. It can take a considerable period to sell in certain adverse 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 Regeneration Schemes

- 6.1 Some of the key schemes under development are briefly described in Annex 2 to this document, and their progress is regularly reported to the Senior Management Team and to Members of the Council.

## 7 Financial Guarantees

- 7.1 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.
- 7.2 The following guarantees were transferred to the Council from TDBC and WSC on 1 April 2019:
- South West Audit Partnership Limited Pension Liability £0.268m (as at 31 March 2019)
  - Somerset Waste Partnership Pension Liability (minimal)

## 8 Proportionality

8.1 The Council is dependent on income generating investment activity to achieve a balanced revenue budget. Table 10 below shows how 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 include 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 10                            | Proportionality of Investments |          |          |          |          |
|-------------------------------------|--------------------------------|----------|----------|----------|----------|
|                                     | 2020/21                        | 2021/22  | 2022/23  | 2023/24  | 2024/25  |
|                                     | Actual                         | Forecast | Estimate | Estimate | Estimate |
|                                     | £'000                          | £'000    | £'000    | £'000    | £'000    |
| Gross Service expenditure           | 90,862                         | 100,286  | 103,295  | 106,393  | 109,585  |
| Investment income                   | -860                           | -4,578   | -5,205   | -4,065   | -4,065   |
| Proportion of income to expenditure | 0.9%                           | 4.6%     | 5.0%     | 3.8%     | 3.7%     |

- NOTES to Table 10:**
- i) Investment income, in this table, includes both treasury investments and commercial investments.
  - ii) Gross service expenditure is indicative and based on a 3% inflationary increase from 2022/23 onwards, so is not linked to formal MTFP projections for the General Fund and HRA.

8.2 Investment income shown in the above table is the gross income included in the budget estimates, disregarding asset management and capital financing costs. The falling proportion % illustrates a decreasing level of investment balances which, in turn, places pressure on funding services as other funding sources diminish, in particular government grants and the risk of business rates volatility.

## 9 Investment Indicators

9.1 The Council has set the following quantitative indicators to allow elected Members and the public to assess the Council's total risk exposure from its investment decisions.

**Total investment exposure:**

9.2 This indicator shows the Council’s total exposure to potential investment losses. It includes amounts the Council is contractually committed to lend but has yet to draw down, as well as guarantees the Council has issued.

| <b>TABLE 11</b>                         | <b>Total Investment Exposure</b> |                 |                 |                 |                 |
|---|----------------------------------|-----------------|-----------------|-----------------|-----------------|
|   | <b>2020/21</b>                   | <b>2021/22</b>  | <b>2022/23</b>  | <b>2023/24</b>  | <b>2024/25</b>  |
|   | <b>Actual</b>                    | <b>Forecast</b> | <b>Estimate</b> | <b>Estimate</b> | <b>Estimate</b> |
| <i>All values at year end</i>           | <b>£'000</b>                     | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>    |
| Treasury Management Investments:        |                                  |                 |                 |                 |                 |
| Strategic Funds                         | 17,000                           | 17,000          | 17,000          | 17,000          | 17,000          |
| Other                                   | 27,761                           | 13,500          | 13,000          | 13,000          | 13,000          |
| Service investments - loans             | 5,642                            | 6,342           | 6,294           | 5,656           | 5,083           |
| Commercial investments                  | 44,063                           | 99,123          | 97,141          | 95,198          | 93,294          |
| <b>Total investments</b>                | <b>94,466</b>                    | <b>135,965</b>  | <b>133,435</b>  | <b>130,854</b>  | <b>128,377</b>  |
| Commitments to lend                     | 0                                | 1,274           | 0               | 300             | 300             |
| Guarantees on pension liabilities       | 268                              | 268             | 268             | 268             | 268             |
| <b>Total commitments and guarantees</b> | <b>268</b>                       | <b>1,542</b>    | <b>268</b>      | <b>568</b>      | <b>568</b>      |
| <b>Total Exposure</b>                   | <b>94,734</b>                    | <b>137,507</b>  | <b>133,703</b>  | <b>131,422</b>  | <b>128,945</b>  |

**How investments are funded:**

9.3 Government guidance is that these indicators should include how investments are funded. Conversely, capital regulations specify that the Council should not normally associate individual assets with individual liabilities, therefore it is difficult to comply in complete terms with the funding indicator. However, the following investments could be regarded as having been funded by borrowing. The remainder of the Council’s investments are funded by usable reserves and income received just prior to need.

| TABLE 12                          | Investments funded by borrowing |                              |                              |                              |                              |
|-----------------------------------|---------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                   | 2020/21<br>Actual<br>£'000      | 2021/22<br>Forecast<br>£'000 | 2022/23<br>Estimate<br>£'000 | 2023/24<br>Estimate<br>£'000 | 2024/25<br>Estimate<br>£'000 |
| Service investments - loans       | 5,642                           | 6,342                        | 6,294                        | 5,656                        | 5,083                        |
| Commercial investments - property | 44,063                          | 99,123                       | 97,141                       | 95,198                       | 93,294                       |
| Commitments to lend               | 0                               | 0                            | 0                            | 0                            | 0                            |
| <b>Total funded by borrowing</b>  | <b>49,705</b>                   | <b>105,465</b>               | <b>103,435</b>               | <b>100,854</b>               | <b>98,377</b>                |

**NOTE to Table 12:** Similarly as noted with Tables 2 and 3 above, Table 12 does not reflect the recommendation to be made to Full Council to apply £2million General Reserves to fund capital expenditure in 2021/22 and a proposal to apply a Voluntary Overprovision (VRP) of £1m. The impact of this would be to reduce the “Commercial investments - property” line by £3m in each year from 2021/22 onwards. These adjustments will be incorporated at the point of Full Council meeting on 24 February 2022.

**Rate of return received:**

- 9.4 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. The acquired portfolio of property investments for yield is budgeted to return 7% gross.

# C. 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 financial 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 2021 Edition (the CIPFA Code) which requires the Council to approve a Capital Strategy, Investment Strategy and Treasury Management Strategy before the start of each financial year. This combined document 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, set out above within this document, Section B.

## 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, and is provided in Annex 2. to this document.

### 3 Local Context

3.1 On 31 December 2021, the Council held £170.5million of borrowing, (£105.5million long-term and £65.0million short-term) and £39.2m of treasury investments. These balances are summarised in Table 13 below.

| TABLE 13                          | Existing Investment & Debt Portfolio<br>Position as at 31 December 2021 |                    |
|-----------------------------------|---|--------------------|
|                                   | Actual Portfolio<br>£m  | Average Rate<br>£m |
| <b>External Borrowing</b>         |   |                    |
| Public Works Loan Board           | 102.5   | 2.62%              |
| Banks                             | 3.0   | 4.25%              |
| Local Authorities                 | 65.0  | 0.08%              |
| <b>Total gross external debt</b>  | <b>170.5</b>  | 1.68%              |
| <b>Treasury Investments</b>       |   |                    |
| Banks (unsecured)                 | -1.3  | 0.01%              |
| Money Market Funds                | -15.6   | 0.07%              |
| Strategic Pooled Funds            | -17.0   | 3.11%              |
| Other investments                 | -5.3  | 3.29%              |
| <b>Total treasury investments</b> | <b>-39.2</b>  | 1.82%              |
| <b>Net Debt</b>                   | <b>131.3</b>  |                    |

3.2 Forecast changes in these sums are shown in the balance sheet analysis in Table 14 (overleaf).

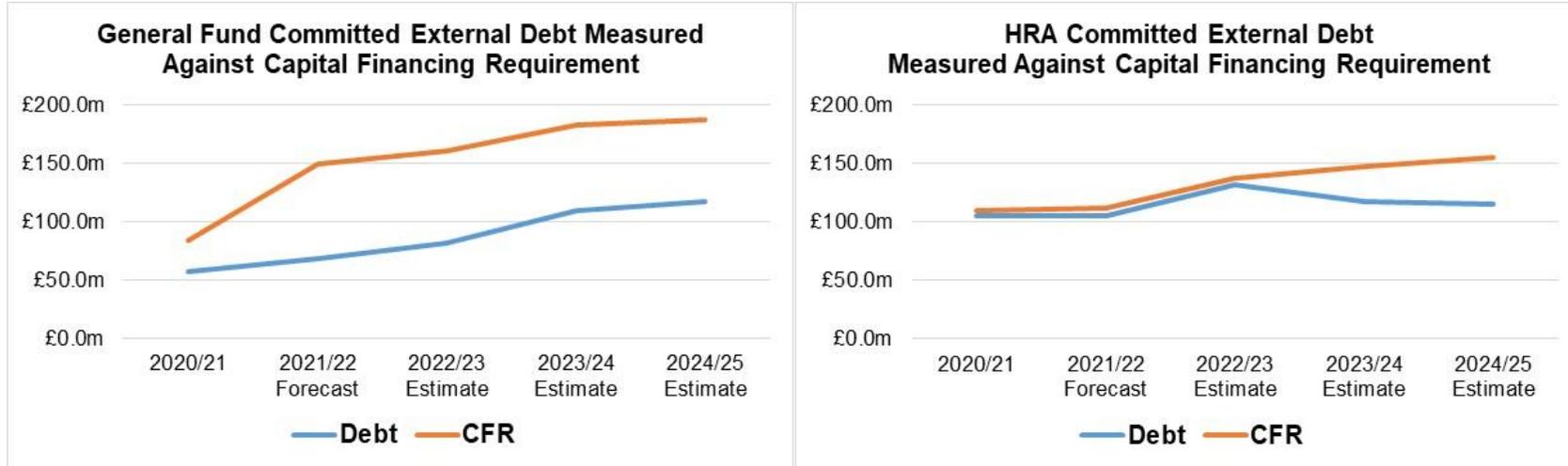
| TABLE 14  | Balance Sheet Summary and Forecast |                             |                              |                              |                              |
|---|------------------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|
|   | 2020/21<br>Actual<br>£'000         | 2021/22<br>Revised<br>£'000 | 2022/23<br>Estimate<br>£'000 | 2023/24<br>Estimate<br>£'000 | 2024/25<br>Estimate<br>£'000 |
| Capital Financing Requirement (CFR)               |                                    |                             |                              |                              |                              |
| General Fund                                      | 39,129                             | 49,966                      | 63,004                       | 87,892                       | 93,659                       |
| HRA   | 109,717                            | 112,038                     | 128,307                      | 147,240                      | 164,887                      |
| Investments                                       | 44,074                             | 99,123                      | 97,141                       | 95,198                       | 93,294                       |
| <b>Total CFR</b>                                  | <b>192,920</b>                     | <b>261,127</b>              | <b>288,452</b>               | <b>330,330</b>               | <b>351,840</b>               |
| Less: External Borrowing                          | -162,500                           | -173,500                    | -204,829                     | -252,364                     | -279,966                     |
| Less: Other debt liabilities (leases)             | -                                  | 0                           | -279                         | -361                         | -379                         |
| <b>Internal Borrowing</b>                         | <b>30,420</b>                      | <b>87,627</b>               | <b>83,344</b>                | <b>77,605</b>                | <b>71,495</b>                |
| Less: Usable reserves                             | -85,578                            | -75,150                     | -62,544                      | -43,829                      | -44,898                      |
| Working capital (surplus) / deficit               | 7,422                              | 7,422                       | 7,422                        | 7,422                        | 7,422                        |
| <b>Total Treasury (Investments)/new borrowing</b> | <b>-47,736</b>                     | <b>19,899</b>               | <b>28,222</b>                | <b>41,198</b>                | <b>34,019</b>                |

- 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 annual additions to the Capital Programme. The full impact of investment property acquisitions has been completed during 2021/22. The trend of increased capital expenditure and forecast repayments of external borrowing indicates new borrowing capacity of up to £123million over the forecast period.
- 3.5 Table 14 shows that the Council expects to comply with maintaining external borrowing below the estimated CFR.

### Total Debt Position

- 3.6 A local authority should not exceed its CFR, except in the short-term. 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. Projected levels of the Council's total outstanding external debt compared with the CFR are shown in the two graphs, below. As can be seen from both graphs and Table 15, overleaf, the Council expects to comply with this in the medium term for both the General Fund and the Housing Revenue Account.

3.7 The two graphs look markedly different. For the General Fund, the graph illustrates the shorter-term nature of the current debt portfolio, continued reliance on internal borrowing, with an increasing CFR reflecting future capital programmes. This shorter-term debt will need to be replaced as loans mature and further new external borrowing is envisaged. For the HRA, the gap remains much smaller because the portfolio of HRA borrowing has been committed to for much longer periods of time. Once again, the CFR increases with future years' borrowing needs.



| TABLE 15          | Prudential indicator - Gross debt and the CFR |                   |                   |                   |                   |
|-------------------|---|-------------------|-------------------|-------------------|-------------------|
|                   | 2020/21                                       | 2021/22           | 2022/23           | 2023/24           | 2024/25           |
|                   | Actual<br>£'000                               | Forecast<br>£'000 | Estimate<br>£'000 | Estimate<br>£'000 | Estimate<br>£'000 |
| General Fund Debt | 57,000  | 68,000            | 82,039            | 108,820           | 116,954           |
| HRA debt          | 105,500                                       | 105,500           | 122,790           | 143,544           | 163,012           |
| <b>Total Debt</b> | <b>162,500</b>                                | <b>173,500</b>    | <b>204,829</b>    | <b>252,364</b>    | <b>279,966</b>    |
| General Fund CFR  | 83,203  | 149,089           | 160,145           | 183,090           | 186,953           |
| HRA CFR           | 109,717                                       | 112,038           | 128,307           | 147,240           | 164,887           |
| <b>Total CFR</b>  | <b>192,920</b>                                | <b>261,127</b>    | <b>288,452</b>    | <b>330,330</b>    | <b>351,840</b>    |

## 4 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 prior to the amalgamation of authorities into Somerset West and Taunton Council, £79.5million of external PWLB borrowing was transferred to the Council on 1 April 2019. This stemmed from the Government's directive for local councils with an HRA to borrow funds in respect of the housing assets they owned at that time (a process called Self Financing). By 1 April 2021, the portfolio of external long-term borrowing was £162.5million at an average interest rate of 1.78%. Treasury and cash investments as at 1 April 2021 amounted to £54.1million.
- 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, particularly with the forthcoming transfer to a single Unitary Council on 1 April 2023. Interest on short-term borrowing has been extremely attractive in recent years and the opportunity to minimise the cost of new borrowing has been fully utilised during 2021/22. Meanwhile, long-term borrowing remains available at historically low rates of interest too. Therefore, being responsive to interest rate movements (particularly with increasing levels of inflation), the optimum balance between long-term and short-term debt will be sought for any new borrowing required to finance the Capital Programme. For example, as short-term rates are trending upwards at the time of writing, the benefit of longer-term fixed rates will begin to take precedence since they provide future certainty, diluting the risk associated with future upward interest rate movements in a complex economy.
- 4.4 Substantial flexibility will also be applied to borrowing on the approach to formation of the new Somerset Unitary Council. This is because the borrowing and investment balances and cashflow of the County and District councils, when consolidated, will require a new borrowing strategy that defines the longer-term approach. For this reason, except for HRA loan renewals and HRA debt aligned with long-term assets, such as new housing, longer-term borrowing will tend to be confined to a debt below 10-years' duration.
- 4.5 A combination of cashflow balances, cashflow movements into and out of the Council and the need for sufficient levels of liquidity, both to absorb payment commitments and to act as contingency funds to finance unforeseen emergencies, will require an ongoing level of cash and investment balances. For these reasons, it is intended that investment and cashflow

balances will be retained at a level that is generally above £30million (that sum including sums on loan to external organisations, being £5.2million, and pooled investments, being approximately £17million). More details on investments are set out in section 8 of this document, further below.

- 4.6 Putting this into context, the interest rates currently observed in the markets (early February 2022) for the Council's borrowing vary between cheaper short-term loans (currently available at around 0.5%) and long-term fixed rate loans where the future cost is more certain but higher (currently 1.5%-2.5%). By contrast, with cashflow investments envisaged to be earning between 0.0% and 0.28% (current year to February 2022), internal borrowing will be used as far as practically possible, with the added advantage that the risk of potential investment losses from bank defaults (albeit a minimal risk) is minimised with this approach.

### **Public Works Loans Board (PWLB)**

- 4.7 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 several advantages to using the PWLB as a source of borrowing, such as:
- Funds can be accessed quickly – usually within five-days' notice.
  - It is relatively simple to arrange, although the application process has become more-lengthy because HM Treasury seeks to examine applying authorities' applications closely to confirm that the borrowing need is sound, affordable and is unrelated to past or future investment in property for the purposes of yield.
  - The Council does not require a credit rating, and
  - Borrowing is not linked to any specific asset, but it can provide the resources needed to meet the overall capital financing requirement.
- 4.8 To discourage borrowing for property assets primarily for yield, the government issued a revised procedure for accessing PWLB loans in November 2020. This reduced the cost of loans but also demanded a commitment from the borrowing Council's Chief Financial Officer that there would be no use of PWLB funds towards property assets primarily for yield after 26 November 2020.
- 4.9 Because SWT Council has undertaken investment in properties with the objective of generating a yield, the Council is currently unable to access new borrowing from PWLB. However, the Council's Treasury Team has observed considerable availability of funds to borrow from other Local Authorities, which is set to continue. In practical terms, this has provided a

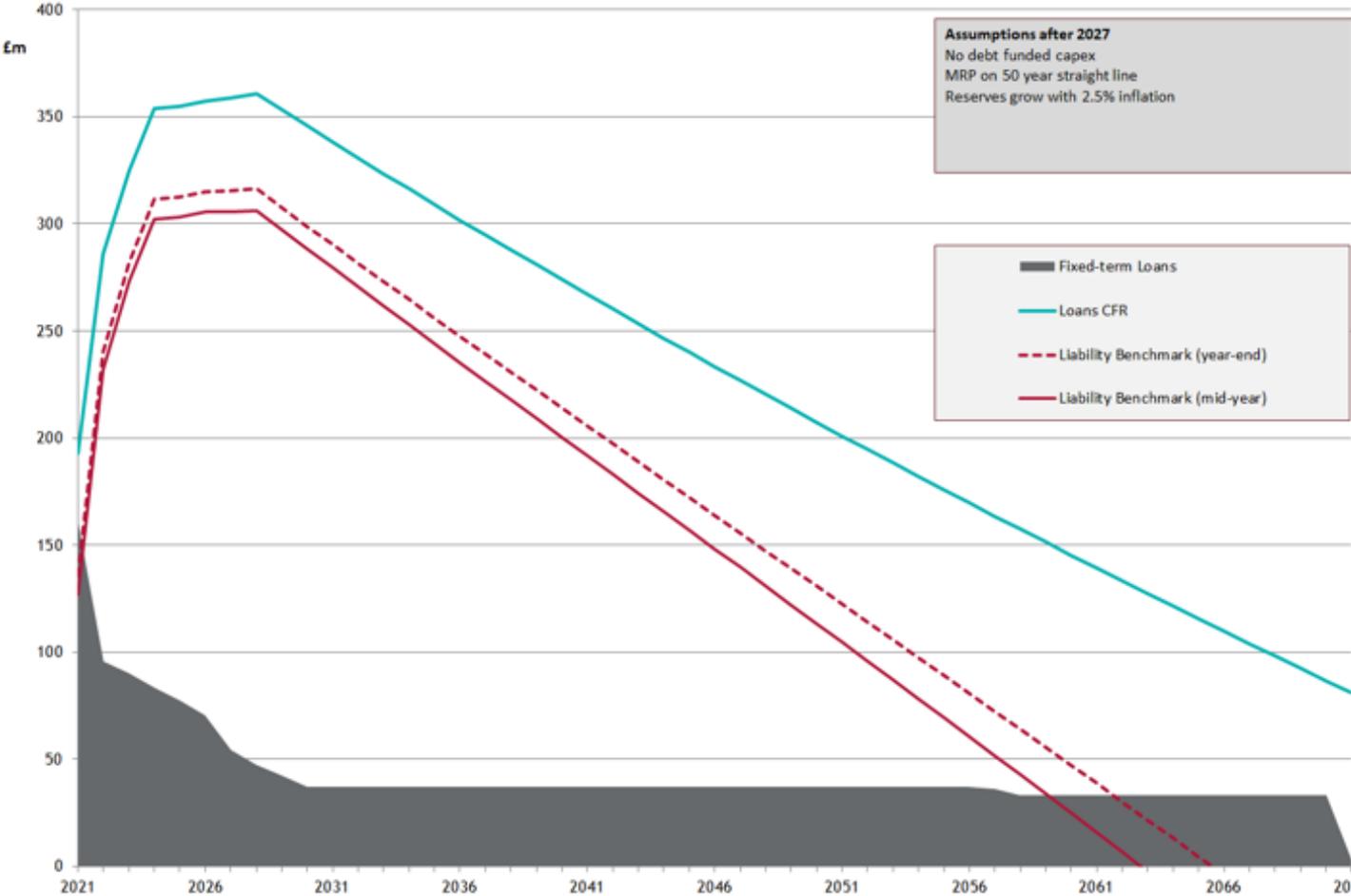
sound and affordable source of borrowing and provides a certain basis for new borrowing in the foreseeable future. The Council is also able to renew any borrowing with the PWLB that comes to maturity, and advantage will be taken of that source too. Other potential options do exist such as the Municipal Bond Agency, which provides a pool of short-term borrowing.

- 4.10 Guidance from HM Treasury indicates that PWLB may still be used to refinance historic borrowing even if the Council is actively investing in property assets primarily for yield. This is likely to be a preferable treasury option, for example regarding existing HRA loans that mature over the next 10 years that will need to be refinanced to meet the current HRA Business Plan.
- 4.11 A more-comprehensive measure is given by the Liability Benchmark. The Liability Benchmark is a measure of how well the existing loans portfolio matches the authority's planned borrowing needs. It stems from projections of the Council's balance sheet in future years. The Liability Benchmark is effectively the net borrowing requirement of a local authority plus an allowance for cashflow liquidity. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (usable reserves and cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments necessary to manage day-to-day cash flow requirements.
- 4.12 The Liability Benchmark assumes that cash and investment balances are kept to a minimum level of £17.0m initially, increasing to £20.0m towards the end of the four-year period of review . This benchmark is anticipated to be £215.5m in 2021/22 and is forecast to rise to a maximum of £310.5m by 2024/25.

**NOTE: TABLE 16 – Balance Sheet Summary and Forecast** – this table is not currently included, pending a detailed Balance Sheet review at the 2021/22 financial year-end. As an interim measure, the Liability Benchmark graph as at 31 March 2021 is shown overleaf.

- 4.13 Any years where actual loans are lower than the benchmark indicate a future borrowing requirement, which is seen to occur from 2021/22 onwards, and reflects new borrowing activity by the Council, primarily for Commercial Property Investments and Housing projects. Scope for internal borrowing will now drop out and be replaced by external borrowing.
- 4.14 Depicting the borrowing path over a longer period of time, the Council's treasury management advisors, Arlingclose, have prepared a graphical illustration (using data as at 31 March 2021) of the borrowing position, as follows:

Liability Benchmark - Somerset West & Taunton



## 5 Borrowing In Advance of Need

- 5.1 Local authorities are not permitted to borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. However, the Prudential Code does specify that “Treasury investments may... include the investment of borrowing proceeds where it has been prudent for an organisation to borrow in advance of the need for cash, eg in order to reduce financing and interest rate risks.” The Council’s policy adopts and complies with these stipulations and it shall not borrow in advance of need, unless in the short-term in respect of near-term approved capital projects in order to ensure the adequacy of liquidity and to manage investment rate risks.

### Affordable Borrowing Limit

- 5.2 This is a particularly important indicator. 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 point 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 17                          | Authorised limit & Operational boundary for external debt |                              |                              |                              |                              |
|-----------------------------------|---|------------------------------|------------------------------|------------------------------|------------------------------|
|                                   | 2020/21<br>Actual<br>£'000                                | 2021/22<br>Forecast<br>£'000 | 2022/23<br>Estimate<br>£'000 | 2023/24<br>Estimate<br>£'000 | 2024/25<br>Estimate<br>£'000 |
| Operational Boundary:             |   |                              |                              |                              |                              |
| Borrowing                         | 212,000   | 280,000                      | 300,000                      | 350,000                      | 370,000                      |
| Leases                            | 0   | 0                            | 10,000                       | 10,000                       | 10,000                       |
| <b>Total Operational Boundary</b> | <b>212,000</b>  | <b>280,000</b>               | <b>310,000</b>               | <b>360,000</b>               | <b>380,000</b>               |
| Authorised limit:                 |   |                              |                              |                              |                              |
| Borrowing                         | 280,000   | 320,000                      | 350,000                      | 350,000                      | 370,000                      |
| Leases                            | 0   | 0                            | 20,000                       | 20,000                       | 20,000                       |
| <b>Total Authorised limit</b>     | <b>280,000</b>  | <b>320,000</b>               | <b>370,000</b>               | <b>370,000</b>               | <b>390,000</b>               |

- 5.3 The total borrowing limit applies to the combined borrowing requirement for the General Fund and the Housing Revenue Account. Although borrowing is managed on the basis that individual borrowing pools exist for the General Fund and Housing Revenue Account, for cash flow purposes the above limits relate to the whole-Council position.
- 5.4 Borrowing levels are expected to grow; this is regarded as affordable on the basis that the majority of the costs of debt are offset by income growth within the Council's financial strategy, either through return on investment in property, which provides a net surplus to fund services, or through investment in regeneration schemes, which may also generate income, or through service loans, which will all be anticipated to be repaid.
- 5.5 The Council currently holds £170.5million of loans (including short term) as at 31 December 2021, compared to £162.5million on 1 April 2021, as part of its strategy for funding previous years' capital programmes (Table 17). The balance sheet forecast in Table 16 shows that the Council expects to hold external borrowing of up to £204.8million in 2022/23. The Council may also borrow additional sums to pre-fund future years' requirements, providing
- i. this does not exceed the authorised limit for borrowing of £340.0million, and
  - ii. This remains within the allowable parameters of the CIPFA Prudential Code (namely up to two years prior to approved expenditure need).
- 5.6 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; the preference is to avoid this possibility, especially in the event that an interest premium or penalty may be applied by the lender.
- 5.7 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. Whilst short-term interest rates have begun to follow an upward trend since mid-December 2021, they currently remain lower than long-term rates. In these conditions, it would be more cost effective in the short term to either use internal resources, or to borrow short term loans instead. However, with cashflow balances substantially reduced following the significant investments as part of the capital programme in 2020/21 and 2021/22, there is a growing need to source external borrowing. A balance will be made between long-term and short-term borrowing. In relation to short-term borrowing, the emphasis has now shifted on extending that towards the one-year period to protect against further interest rate rises forecast during 2022/23. This adds stability to the interest costs leading up to the Unitary Council formation in April 2023. Further external borrowing will take advantage of any medium-term borrowing opportunities so that the risk of interest rate volatility may be cushioned; this will apply to General Fund borrowing, and paves the way for the new Unitary Council to reshape its

borrowing strategy into future years. For HRA borrowing, advantage is envisaged to be taken of historically low long-term borrowing rates, with maturity dates more commensurate with life of the housing assets being developed.

- 5.8 Internal borrowing has been used to good effect during 2021/22, realising interest cost savings as a result. A further benefit has been to reduce overall treasury risk because levels of investments have been contained, thus eliminating exposure to investment losses that may have occurred in the event of the failure of financial institutions. The Treasury Management Strategy, in part, shapes the timing of external borrowing and the balance of external / internal borrowing, whilst money market conditions form another influencing factor alongside the Council's liquidity and cashflow position.
- 5.9 The Council (and its predecessor councils) has previously raised the majority of its long-term borrowing from the PWLB. Where it remains possible to renew existing debt through the PWLB (new loans no longer being available to SWT because of its property investments) and, if that option presents better value for money, loan renewals from PWLB will be employed.
- 5.10 The Council will also consider loans from other sources including banks, pension funds and other local authorities. Local authority to Local Authority lending has represented a particularly viable option for this Council in taking new borrowing and considerable use has been made of this market during 2021/22 with very reasonable rates of interest payable. Innovative methods of securing borrowing from other local authorities have ensured good value for money has been achieved in brokerage costs too.
- 5.11 Beyond these options, the Council will, if necessary, investigate the possibility of utilising the Municipal Bonds Agency, or issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding.
- 5.12 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).
- 5.13 Additionally, the Council may borrow further short-term loans to cover unplanned cash flow shortages.
- 5.14 The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board), but only for loan renewals
  - Any institution approved for investments (see below), including Local Authorities
  - 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

5.15 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
- Sale and leaseback

5.16 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues issue bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrowing and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the Council's Audit and Governance Committee or Full Council (depending upon the timescale of meetings and needing to apply for borrowing).

5.17 **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).

5.18 **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.

## 6 Treasury Investment Strategy

6.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the first six months of 2020/21 to 30th September 2021, the Council's investment balance ranged between £30.157m and £73.287m, although investment levels are anticipated to remain at the lower end of this range in the forthcoming year following extensive capital investment and application of plus repayment of government Covid grants.

- 6.2 **Objectives:** 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 to or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 6.3 **Negative interest rates:** The COVID-19 pandemic increased the risk of the Bank of England setting its Bank Rate at or below zero. Prior to the two recent increase increases in Base Rate (December 2021 and February 2022), this risk has passed in the short to medium term at least. In the event of negative rates, however, since investments cannot pay "negative income", negative rates will be instead be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 6.4 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to maintain current investment levels in secure and/or higher yielding asset classes during 2022/23. The majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits, money market funds, whilst deposits have also previously been held with other local authorities. This diversification will represent a continuation of the strategy adopted in earlier years, with an enhanced opportunity to utilise strategic investment pooled funds as a means of adding a level of diversity and long-term value to the investment portfolio.
- 6.5 **Business Models:** 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**

- 6.6 The Council may invest its surplus funds with any of the counterparty types in Table 18, below. These deposits are subject to the cash limits indicated (per counterparty) and the time limits shown.

| TABLE 18  | Treasury investment counterparties and limits |                    |   |
|---|---|--------------------|---|
|   | Time limit                                    | Counterparty limit | Sector Limit                              |
| The UK Government                               | 50 years                                      | Unlimited          | N/A                                       |
| Local authorities and other government entities | 25 years                                      | £7million          | Unlimited                                 |
| Secured investments                             | 25 years                                      | £7million          | Unlimited                                 |
| Banks (unsecured)                               | 13 months                                     | £7million          | Unlimited                                 |
| Building societies (unsecured)                  | 13 months                                     | £7million          | £7million                                 |
| Registered providers (unsecured)                | 5 years                                       | £7million          | £20million                                |
| Money market funds                              | N/A   | £7million          | Unlimited                                 |
| Strategic pooled funds                          | N/A   | £7million          | Combined £18million<br>initial investment |
| Real estate investment trusts                   | N/A   | £7million          |   |
| Other investments                               | 5 years                                       | £5million          | £7million                                 |

- 6.7 **Minimum Credit rating:** (\*) Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. 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.
- 6.8 **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.
- 6.9 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral

credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

- 6.10 **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.
- 6.11 **Registered providers (unsecured):** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are 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.
- 6.12 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 6.13 **Strategic Pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 6.14 **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.
- 6.15 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

- 6.16 **Operational bank accounts:** In so far as the UK bank appointed to supply the Council with its main banking services maintains a credit rating not lower than BBB- and with assets in excess of £25billion, the aggregate level of balances held with the bank shall equate with the counterparty limit set for individual unsecured bank deposits (namely £7million). This includes both operational group balances and investment account balances, but excludes Head Office Collection accounts, merchant accounts and cash in transit.
- 6.17 In times of banking stress, and in the event that the appointed bank's credit rating falls below BBB-, the Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services supplied by its appointed bank. Whilst balances held at the appointed bank are not classed as investments, they remain subject to the risk of a bank bail-in. Nevertheless, in the event of such an eventuality, in order to provide a suitable platform for the Council to conduct its day-to-day banking transactions and receive remittances, a threshold of £1,200,000 will be applied to the daily bank balance, above which balances should not be held after concluding each day's treasury and dealing activities. This threshold will be the subject of review at least twice each year in such circumstances, to coincide with annual Treasury Management reporting to Members. At his/her discretion, the Assistant Director Finance (S151 Officer) may introduce a reduction to this threshold if circumstances in the banking sector indicate the need.
- 6.18 **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
- 6.19 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.
- 6.20 **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.

6.21 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

**Investment Limits**

6.22 The Council’s usable revenue reserves available to cover investment losses are forecast to be £72.6million on 31 March 2022. In order that no more than 10% 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 £7million. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

6.23 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.

| Investment Limits   | Cash Limit       |
|---|------------------|
| 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   | £7m per country  |

6.24 **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.

6.25 The Council will spread its liquid cash over more than one provider (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties encountered with any one provider.

## 7 Treasury Management Indicators

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

### Security

7.2 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) | e.g. A- |

### Liquidity

7.3 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 Risk

7.4 The borrowing and investment strategies employed during the acquisition of commercial properties have protected the Council's position whereby internal borrowing has been adopted in preference to obtaining now borrowing from the money markets. The two primary benefits have been to minimise net interest costs for the Council in the short-term and reducing the risk of Council potential exposure to "bail-in", that being the loss of capital investment because of the recovery processes employed in the event of a financial institution's failure. With the completion of the commercial investment portfolio, cashflows has reduced and the dominating level of cashflow investments will switch to borrowing. As a result, risks aligned with movements in investment returns will substantially reduce with lower investment balances. To quantify this, we forecast

(at the time of writing) that the remaining investments held during 2022/23 would carry a combined risk of variation in capital value and interest yield of approximately +/- £132k for a 1% movement in interest rates. These investment sums, which total approximately £17million, will be held as a contingency measure for unexpected cashflow movements and emergencies. Further liquid sums will also be held to accommodate the cashflow movements throughout the year; these attract a very low yield, so present negligible levels of interest rate volatility. Meanwhile, the Council's investment strategy and treasury operations do focus on preserving security, liquidity and yield as a basis for risk limitation.

### **Maturity Structure of Borrowing**

- 7.5 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:

| <b>Refinancing Rate Risk Indicator</b> | <b>Upper Limit</b> | <b>Lower Limit</b> |
|--|--------------------|--------------------|
| 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**

- 7.6 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:

| <b>Price Risk Indicator</b>                 | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> |
|---|----------------|----------------|----------------|
| Limit on principal invested beyond year end | £25m           | £25m           | £25m           |

## 8 Related Matters

- 8.1 **Financial Derivatives:** Local councils 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).
- 8.2 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.
- 8.3 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.
- 8.4 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.
- 8.5 **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. The General Fund pool will be further divided between mainstream borrowing and borrowing for commercial investments. 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.
- 8.6 **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the

Council's treasury management activities, the Assistant Director Finance (S151 Officer) believes this to be the most appropriate status.

## **9 Capacity, Knowledge and Skills**

- 9.1 Officers involved in making decisions on borrowing and investment processes are governed by internal procedures and processes and external statutory guidance in the form of the CIPFA Treasury Management Code, the CIPFA Prudential Code and HM Treasury 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 work, with access to training as required. Whilst internal skills are commensurate with the authority's risk appetite and activities, specialist advice will also be obtained for complex and non-traditional issues, as required.
- 9.2 Training for officers is encouraged and actively subscribed to. Elected Members also benefit from targeted training and updates on Treasury Management matters, economic and market news and on how to perform their functions in decision-making, scrutiny and challenge. The Council uses a combination of internal expertise and external specialists to provide training, advice and information.
- 9.3 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Assistant Director Finance (s151 Officer) is a qualified accountant with many years' relevant experience. There are several other professionally qualified Finance Business Partners and Specialists within the Council's Finance Team, 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 events to enable them to acquire and maintain the appropriate level of expertise, knowledge and skills to undertake their duties and responsibilities.
- 9.4 The Council also employs qualified property specialists / surveyors to manage land and property assets, and to contribute to key asset decisions.
- 9.5 Legal specialist advice is provided to the Council through the SHAPE legal partnership.
- 9.6 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants who are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and

various property consultants as required. This cost-effective approach ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

- 9.7 Those charged with governance (Members of the Audit and Governance 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, responsibilities and understanding of sometimes complex issues.

## 10 Financial Implications

- 10.1 The budget for treasury investment income and debt interest in 2022/23 is summarised as follows:

| TABLE 19     | Interest income and costs  |                        |                             |
|--------------|----------------------------|------------------------|-----------------------------|
|              | 2022/23                    |                        |                             |
|              | Forecast Investment Income | Forecast Interest cost | Forecast Net income or cost |
|              | £'000                      | £'000                  | £'000                       |
| General Fund | -714.5                     | 948.2                  | 233.7                       |
| HRA          | -82.8                      | 2,883.0                | 2,800.2                     |
| <b>Total</b> | <b>-797.3</b>              | <b>3,831.2</b>         | <b>3,033.9</b>              |

- 10.2 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.

## 11 Other Options Considered

11.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Assistant Director Finance (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            |

## Sources of Capital Finance other than Borrowing/ Debt

The Capital Strategy identifies the main sources of capital financing. Whilst borrowing is used once all other allocated sources have been applied, those other sources comprise the following options.

### 1. Grants and Contributions

- 1.1. The Council will seek to access external funding towards its capital investment plans where funds are available and our capital schemes are within scope of such grant funding conditions. Grants may include Government schemes, two examples of which have in previous years included the Housing Infrastructure Fund and the Future High Streets Fund. We also receive contributions from other bodies such as developers in the form of S106 contributions, and Community Infrastructure Levy paid by local developments to support local infrastructure (see below). It is often the case that the Council will need to put some of its own resources towards a scheme so that it may attract the external funding. This can be effective in leveraging in funds to enable larger infrastructure investments to progress and where the Council's own resources cannot adequately finance the costs.
- 1.2. The balance of capital grants unapplied held by SWT on 31 March 2021 was £14.659m. The General Fund 2022/23 Budget report includes financing from capital grants amounting to £24.870m (excluding Community Infrastructure Levy and s106 contributions) towards the current approved Capital Programme covering 2022/23 to 2024/25. Grant bids are usually a competitive process therefore expenditure is usually only built into the approved capital programme once the funding has been confirmed.

### 2. Section 106 Contributions (s106)

- 2.1. S106 contributions are paid across to the Council by other bodies, mainly including developers, and are made under planning agreements towards certain obligations. Contributions that related to district council services within SWT are paid to the Council. There are usually restrictions on the nature of costs that the funds can be used for, such as public art, play areas and equipment and affordable housing provision. S106 contributions can be used to fund both revenue and capital costs and are therefore allocated to capital and revenue budgets accordingly.
- 2.2. 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. These s106 contributions are used to contribute to enhanced service costs and may also be used for capital projects.

2.3. Decisions regarding the allocation of funds may be taken under thresholds determined within the Council Financial Procedure Rules. The allocation of funds to specific projects funded by the Hinkley Point C s106 contribution are considered by the Hinkley Point Planning Obligations Board, who will make recommendations to the Executive for schemes up to £250k, and by Full Council for other larger sums.

### 3. Community Infrastructure Levy (CIL)

3.1. 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 and 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.

3.2. 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.

### 4. Capital Receipts from Asset Disposals

4.1. 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.

4.2. The Council estimates it will receive £4.96million of capital receipts in the coming financial year, 2022/23; for the period 2021/22 to 2024/25, anticipated capital receipts are set out in Table 20, below:

| TABLE 20                  | Capital receipts income estimates |                              |                              |                              |                              |
|---------------------------|-----------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                           | 2020/21<br>Actual<br>£'000        | 2021/22<br>Forecast<br>£'000 | 2022/23<br>Estimate<br>£'000 | 2023/24<br>Estimate<br>£'000 | 2024/25<br>Estimate<br>£'000 |
| General Fund:             |                                   |                              |                              |                              |                              |
| Asset Disposals           | 1,085                             | 675                          | 1,295                        | 0                            | 0                            |
| <b>General Fund Total</b> | <b>1,085</b>                      | <b>675</b>                   | <b>1,295</b>                 | <b>0</b>                     | <b>0</b>                     |
| HRA:                      |                                   |                              |                              |                              |                              |
| Right to buy sales        | 2,824                             | 1,002                        | 3,319                        | 3,670                        | 2,535                        |
| Other                     | 46                                | 589                          | 350                          | 350                          | 350                          |
| <b>HRA Total</b>          | <b>2,870</b>                      | <b>1,591</b>                 | <b>3,669</b>                 | <b>4,020</b>                 | <b>2,885</b>                 |
| <b>Total Receipts</b>     | <b>3,955</b>                      | <b>2,266</b>                 | <b>4,964</b>                 | <b>4,020</b>                 | <b>2,885</b>                 |

4.3. 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. Further decisions for the disposal of assets will either occur as a result of ongoing assessment of how properties are performing in support of services and as a result of demand for the purchase of Right To Buy council houses.

## **5. Revenue Contributions to Capital**

5.1. 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 included in the Revenue MTFP and the Capital Programme financing plan, as summarised in Table 2 above.

5.2. Within the budget considerations for 2022/23, bids adding to £1.592million have been added to the General Fund Capital Programme for the financial year. £1.364million of the additional expenditure is expected to be financed directly by an in-year revenue contribution, the balance being met from s106 contributions. The intention of this strategy is to contain the Council's borrowing requirement, which will benefit future years' budgets by reducing the cost of financing borrowing (debt repayments and interest).

5.3. The Housing Revenue Account does not currently have capacity to utilise revenue resources to finance capital expenditure although, given the low interest rates currently applied to long-term borrowing, cost benefits are anticipated into the longer-term by taking advantage of this interest rate opportunity.

## Regeneration Schemes

The Council has a vision for a Garden Town. The Garden Town is symbolic of Taunton's ambitions to be flourishing, distinctive, and healthy. In developing its plans for the town, involving the communities is at the heart of the Council's approach. This will help shape the approach to creating a healthy, vibrant and attractive place to live and work. This vision is realised through a range of forward-thinking regeneration schemes.

Some of the key schemes under development by the Council are briefly described below. Their progress is regularly reported to the Senior Management Team and to Members of the Council.

- **Coal Orchard Re-Development**

The Coal Orchard is a mixed use commercial and residential scheme based on a brown field site with river frontage in the heart of Taunton town centre, immediately adjacent to the Brewhouse Theatre and former Coal Orchard car park. All the land for this development is owned by the Council. The overall project is largely complete, with remaining works programmed for completion during 2022/23. Development of this important regeneration site has been progressed by the Council because planning restrictions may have prevented any commercial entity making progress. The outcomes will ensure building density and height is curtailed whilst ensuring a significant public realm contribution is achieved to link up existing pedestrian and cycle ways, opening up the river frontage and creating a new sense of place.

- **Firepool Re-Development**

As a part of the wider 2040 Garden Town Vision, the approved for Firepool Development and Infrastructure exceeds £2.2million. The Masterplan includes mixed residential, retail and office accommodation, whilst blending in a landmark boulevard with water gardens, an amphitheatre and dedicated cycle and pedestrian access in a high-quality environment. It also provides a highly sustainable solution that will be as close to zero carbon as practicable. The intention is that this supports the Town Centre by encouraging new and longer visits to the Town. It is a regeneration site that may also offer income earning opportunities. Whilst planning permission has been delayed due to the county-wide Phosphates issues, this has fortuitously allowed SWT to use a part of the site to accommodate a vaccination centre, successfully supporting the Somerset COVID vaccination programme.

- **Social Housing Development**

The HRA has four pre-approved social housing development schemes (North Taunton Regeneration Project, Seaward Way, Oxford Inn and Zero Carbon Pilot) supported by a government social housing financing scheme and its "1-4-1 Agreement".

The current approved budget is £100m to be spent over the next 10 years. Under the programme 347 new low carbon affordable homes will be delivered between 2023 and 2031. All homes will provide significantly lower fuel bills to customers than with other similar sized homes.

- **North Taunton Woolaway Project**

With this major redevelopment scheme, the Council plans to transform the North Taunton Woolaway Project area and build quality, energy efficient new homes where people will want to live. Not only will the regeneration of North Taunton Woolaway bring more new homes, it aims to support growth within the local economy, offering health, environmental and employment opportunities. The project offers the Council the opportunity to maximise the social investment for the benefit of the community now and in the future. Comprising several building phases, including one refurbishment phase, the first home will be let in 2022.

- **Seaward Way, Minehead**

This is a zero carbon affordable housing scheme. The council has a contractor appointed who is currently working under a pre contract services agreement (PCSA). The PCSA will allow the council and contractor to agree a price for the scheme and move into start on site (estimated January 2022). The scheme and tenants will benefit from a high standard of insulation, photovoltaic panels, air source heat pumps and battery storage. The scheme is complex, typically because of issues involving flooding and drainage that make the scheme relatively expensive, particularly the common infrastructure necessary to mitigate these issues, and the engineering necessary in the ground to raise levels and provide retaining structures to the residential development where required. These challenges resulted in a lengthy planning approval process for the project.

Common to all development projects in the county of Somerset, there is a common risk for all regeneration activity relating to the actual and potential presence of phosphates in the ground. The Environment Agency has identified that current amounts indicate contamination and there needs to be mitigation going forward. The nature of the problem and mitigation needed are likely to cause elapsed time beyond the originally anticipated timetables, plus added costs. This issue forms a major part of consideration for all new development projects, each one taken on a case-by-case basis.

## External Context

**The Council's external Treasury Management advisors, Arlingclose, provide a range of services to support the Treasury Management function. This includes specialist advice, economic and market data, guidance, technical material and training. They are also instrumental in providing commentary to support the Treasury Management Strategy, based on their own expert views. Naturally, global and domestic events, as well as the release of economic data, all influence markets and views will change and need updating. The views set out below are those of Arlingclose as at December 2021.**

**Economic Background:** The ongoing impact on the UK from coronavirus, together with higher inflation, higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.

The Bank of England (BoE) increased Bank Rate to 0.25% in December 2021 while maintaining its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 8-1 in favour of raising rates, and unanimously to maintain the asset purchase programme.

Within the announcement the MPC noted that the pace of the global recovery was broadly in line with its November Monetary Policy Report. Prior to the emergence of the Omicron coronavirus variant, the Bank also considered the UK economy to be evolving in line with expectations, however the increased uncertainty and risk to activity the new variant presents, the Bank revised down its estimates for Q4 GDP growth to 0.6% from 1.0%. Inflation was projected to be higher than previously forecast, with CPI likely to remain above 5% throughout the winter and peak at 6% in April 2022. The labour market was generally performing better than previously forecast and the BoE now expects the unemployment rate to fall to 4% compared to 4.5% forecast previously, however notes that Omicron could weaken the demand for labour.

UK CPI for November 2021 registered 5.1% year on year, up from 4.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 4.0% y/y from 3.4%. The most recent labour market data for the three months to October 2021 showed the unemployment rate fell to 4.2% while the employment rate rose to 75.5%.

In October 2021, the headline 3-month average annual growth rate for wages were 4.9% for total pay and 4.3% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 1.7% while regular pay was up 1.0%. The change in pay growth has been affected by a change in composition of employee jobs, where there has been a fall in the number and proportion of lower paid jobs.

Gross domestic product (GDP) grew by 1.3% in the third calendar quarter of 2021 according to the initial estimate, compared to a gain of 5.5% q/q in the previous quarter, with the annual rate slowing to 6.6% from 23.6%. The Q3 gain was modestly below the consensus forecast of a 1.5% q/q rise. During the quarter activity measures were boosted by sectors that reopened following pandemic restrictions, suggesting that wider spending was flat. Looking ahead, while monthly GDP readings suggest there had been some increase in momentum in the latter part of Q3, Q4 growth is expected to be soft.

GDP growth in the euro zone increased by 2.2% in calendar Q3 2021 following a gain of 2.1% in the second quarter and a decline of -0.3% in the first. Headline inflation has been strong, with CPI registering 4.9% year-on-year in November, the fifth successive month of inflation. Core CPI inflation was 2.6% y/y in November, the fourth month of successive increases from July's 0.7% y/y. At these levels, inflation is above the European Central Bank's target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at an annualised rate of 2.1% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two quarters. In its December 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme earlier than previously stated and signalled they are in favour of tightening interest rates at a faster pace in 2022, with three 0.25% movements now expected.

**Credit outlook:** Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and had steadily edged down throughout the year up until mid-November when the emergence of Omicron has caused them to rise modestly. However, the generally improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.

The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable and even making a handful of rating upgrades.

Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Authority's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

**Interest rate forecast:** The Council's treasury management adviser Arlingclose is forecasting that Bank Rate will continue to rise in calendar Q1 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.

Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise again, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around Arlingclose's central case are to the upside while over the medium-term the risks become more balanced.

Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10 and 20 year gilt yields expected to average around 0.65%, 0.90%, and 1.15% respectively. The risks around for short and medium-term yields are initially to the upside but shifts lower later, while for long-term yields the risk is to the upside. However, as ever there will almost certainly be short-term volatility due to economic and political uncertainty and events.

To complement the above economic background, Arlingclose has provided the following supplementary information:

### **Arlingclose Economic & Interest Rate Forecast – December 2021**

#### **Underlying assumptions:**

- The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.
- Despite relatively buoyant activity survey data, official GDP data indicates that growth was weakening into Q4 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, PMIs increased, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.
- The CPI inflation rate rose to 5.1% for November and will rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium term price pressure.
- These factors prompted the MPC to raise Bank Rate to 0.25% at the December meeting. Short term interest rate expectations remain elevated.
- The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – Q4 and Q1 activity could be weak at best.

- Longer-term government bond yields remain relatively low despite the more hawkish signals from the BoE and the Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.
- The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

**Forecast:**

- The MPC will want to build on the strong message it delivered this month by tightening policy despite Omicron uncertainty.
- Arlingclose therefore expects Bank Rate to rise to 0.50% in Q1 2022, but then remain there. Risks to the forecast are initially weighted to the upside, however becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.
- Gilt yields will remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in Bank Rate have maintained short term gilt yields at higher levels.
- Easing expectations for Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.
- The risks around the gilt yield forecasts vary. The risk for short and medium term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

|                                  | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Official Bank Rate</b>        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00   | 0.00   | 0.25   | 0.25   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   |
| Arlingclose Central Case         | 0.25   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   |
| Downside risk                    | 0.00   | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  |
| <b>3-month money market rate</b> |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.05   | 0.05   | 0.25   | 0.35   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   |
| Arlingclose Central Case         | 0.25   | 0.55   | 0.55   | 0.60   | 0.60   | 0.60   | 0.60   | 0.65   | 0.65   | 0.65   | 0.65   | 0.65   | 0.65   |
| Downside risk                    | 0.00   | -0.25  | -0.25  | -0.30  | -0.30  | -0.30  | -0.30  | -0.35  | -0.35  | -0.35  | -0.35  | -0.35  | -0.35  |
| <b>5yr gilt yield</b>            |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00   | 0.35   | 0.45   | 0.55   | 0.55   | 0.55   | 0.55   | 0.55   | 0.55   | 0.50   | 0.50   | 0.45   | 0.45   |
| Arlingclose Central Case         | 0.60   | 0.60   | 0.60   | 0.60   | 0.60   | 0.60   | 0.60   | 0.60   | 0.60   | 0.65   | 0.70   | 0.75   | 0.75   |
| Downside risk                    | -0.10  | -0.20  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.30  | -0.35  | -0.40  | -0.40  |
| <b>10yr gilt yield</b>           |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.10   | 0.25   | 0.35   | 0.40   | 0.45   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.55   | 0.55   | 0.55   |
| Arlingclose Central Case         | 0.80   | 0.85   | 0.85   | 0.85   | 0.85   | 0.85   | 0.85   | 0.85   | 0.85   | 0.90   | 0.90   | 0.95   | 0.95   |
| Downside risk                    | -0.10  | -0.25  | -0.30  | -0.35  | -0.35  | -0.35  | -0.35  | -0.35  | -0.35  | -0.40  | -0.40  | -0.40  | -0.40  |
| <b>20yr gilt yield</b>           |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.30   | 0.40   | 0.45   | 0.45   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   |
| Arlingclose Central Case         | 1.00   | 1.05   | 1.10   | 1.10   | 1.10   | 1.10   | 1.15   | 1.15   | 1.15   | 1.20   | 1.20   | 1.20   | 1.20   |
| Downside risk                    | -0.15  | -0.30  | -0.35  | -0.40  | -0.40  | -0.40  | -0.40  | -0.40  | -0.40  | -0.45  | -0.45  | -0.45  | -0.45  |
| <b>50yr gilt yield</b>           |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.25   | 0.30   | 0.40   | 0.45   | 0.45   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   |
| Arlingclose Central Case         | 0.70   | 0.75   | 0.80   | 0.85   | 0.90   | 0.95   | 1.00   | 1.05   | 1.05   | 1.10   | 1.10   | 1.15   | 1.15   |
| Downside risk                    | -0.15  | -0.30  | -0.35  | -0.40  | -0.40  | -0.40  | -0.40  | -0.40  | -0.40  | -0.45  | -0.45  | -0.45  | -0.45  |

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

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

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

# 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 former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the HM Treasury Guidance) most recently issued in 2018.
- 1.2 The broad aim of the Treasury 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 Treasury 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 was 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 2021, the proposed methods for calculating MRP are as follows:

- 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.
- 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.
- 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.
- 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 Treasury 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.
- 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 Assistant Director Finance (S151 Officer).

1.7 MRP is charged based on the opening balance CFR carried forward from the previous year. Therefore Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

## 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 2022, the budget estimate for MRP has been set as follows:

## 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 2021/22 or 2022/23 for the General Fund, however the Assistant Director Finance (S151 Officer) may determine such an overpayment during the year and report this through the Outturn Report. Meanwhile, the MRP for 2022/23 is forecast as follows:

| <b>Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP)</b> | <b>31-Mar-22 CFR (Revised) £000</b> | <b>2022/23 MRP Estimate £000</b> |
|--|-------------------------------------|----------------------------------|
| General Fund   | 151,089                             | 2,983                            |

**NOTE to Table:** This table does not reflect the recommendation to be made to Full Council to apply £2million General Reserves to fund capital expenditure in 2021/22 and a proposal to apply a Voluntary Overprovision (VRP) of £1m. The impact of this would be to reduce the “CFR (Revised)” by £2m and to add £1m Voluntary Overpayment in addition to the MRP Estimate of £2.983m. These adjustments will be incorporated at the point of Full Council meeting on 24 February.

3.2 In 2022/23, a voluntary overpayment will be applied from the HRA, as shown below:

| <b>Capital Financing Requirement (CFR) and Voluntary Overpayments</b> | <b>31-Mar-22 CFR (Revised) £000</b> | <b>2022/23 Voluntary Over-payments Estimate £000</b> |
|---|-------------------------------------|--|
| Housing Revenue Account   | 112,038                             | 1,021  |



## **Somerset West and Taunton Council**

### **Full Council – 29 March 2022**

#### **Wordsworth Drive and Coleridge Crescent Flats Regeneration, Taunton**

**This matter is the responsibility of Executive Councillor Member  
Councillor Francesca Smith**

**Report Author: Chris Brown, Assistant Director Development & Regeneration, Ian  
Shoemark, Project Manager**

#### **1. Executive Summary / Purpose of the Report**

- 1.1 Wordsworth Drive and Coleridge Crescent Flats Regeneration (WD&CC) includes two SWT blocks of flats and an SWT owned garage site. Wordsworth Drive Flats contains a shop, 11x2 bed SWT apartments and a private leasehold apartment. Coleridge Crescent contains 4x2 bed SWT apartments. There are 13 garages on the site. A map of the regeneration can be found at Appendix A.
- 1.2 The report proposes that the WD&CC flats no longer provide the quality of accommodation, in terms of decency and thermal efficiency, which SWT tenants should expect and which the Council strive to provide.
- 1.3 SWT considered four investment options before concluding that the two blocks have reached the end of their life and costs to the Council's Housing Revenue Account (HRA) to bring the two blocks to an appropriate standard for the next sixty years does not provide reasonable value to the Council (HRA Business plan).
- 1.4 The report recommends the decanting of the Wordsworth Drive Flats should commence in April 2022 with the award of Homefinder gold band status to the ten tenants. The awarding of gold band status to tenants will maximise the rehousing opportunities available to the tenants through Homefinder and maximise the opportunities open to the tenants through SWTs Decant Policy. In addition, the negotiation and purchase of one leasehold property will progress and agreement will be reached with the shop for its closure.
- 1.5 The report recommends the decanting of Coleridge Crescent Flats commences in April 2023 with the awarding of Homefinder gold band to the four tenants.
- 1.6 The Tenants Strategic Group considered and supported this report at their meeting 24<sup>th</sup> January 2022
- 1.7 The report proposes that the properties/blocks are secured and then demolished to minimise any blight or nuisance to residents. The Housing Directorate currently believe that the garages can remain and continue to be let until an alternative use for the site is agreed.

#### **2. Recommendations**

2.1 The recommendations to Full Council are:

- (a) To approve the decanting of tenants from Wordsworth Drive Flats with the awarding of gold band status in April 2022. Gold band status will support tenants secure alternative suitable accommodation.
- (b) To approve the decanting of tenants from Coleridge Crescent Flats with the awarding of gold band status at a time to be determined by the Director of Housing and Communities in conjunction with the portfolio holder for Housing.
- (c) To approve the purchase through mutual consent one leasehold property at Wordsworth Drive flats and compensate the owner in line with statutory compensation requirements.
- (d) To make available to the leaseholder the opportunity of a SWT Equity Loan to help secure alternative private accommodation.
- (e) To note officers will agree the closure date and compensation with the shop leasee to ensure Wordsworth block is available for demolition.
- (f) To approve the demolition of Wordsworth Drive and Coleridge Crescent Flats at a time to be determined by the Director of Housing and Communities in conjunction with the portfolio holder for Housing.
- (g) Officers to return to the Council with options for the future use of the site.
- (h) To approve a supplementary budget of £1,111,700 and to delegate the funding of the scheme to the Section 151 Officer.

**3. Risk Assessment**

3.1 Below are the main risks relating to the proposal:

| Risk  | Score out of 25 based on probability x impact | Mitigation  |
|---|---|---|
| Poor consultation may result in resistance and disconnection from tenants | 10  | Careful planning is required and consultation with all parties simultaneously (tenants, leaseholders, shop leasee).<br>Keep residents and stakeholder informed  |
| Limited alternative accommodation for tenants                             | 10  | Officers have analysed the availability of alternative accommodation to support the decanting of tenants. 2 bed properties are in high demand however there is thought to be sufficient turnover of homes to allow for decanting customers within 12 months of them being awarded gold band.<br>Officers are conducting housing needs assessments to understand the needs of customers and to explore any preferences or opportunities for downsizing or alternative accommodation for example sheltered housing. |

| Risk   | Score out of 25 based on probability x impact | Mitigation   |
|--|---|--|
| The structural quality of the block deteriorates faster than anticipated.  | 6   | An agreed monitoring regime has been agreed with specialist engineers to ensure the structure of the block is considered and any changes identified. A number of additional surveys are taking place and investment in barriers and garage access are taking place. A third-party fire safety assessment has been commissioned.  |
| Tenants experience a substandard service (non decent homes poor thermal efficiency) as they await to be decanted | 10  | Tenants' will continue to benefit from SWTs comprehensive compliance, repair and maintenance service as they await a new home. It is recognised that that the properties thermal efficiency combined with electric heating means some customers are in fuel poverty. It is proposed that the directorate introduce a winter payment for tenants to reduce the impact of heating costs as they await decanting. A contract for damp and mould cleaning will be let to help manage any problems which arise. |
| Loss of rent revenue for SWT   | 15  | The decanting of the two blocks will reduce the income from rent to the HRA. The HRA business plan has calculated and reflected the loss of rent and the cost of decant and demolition within its December 2021 review. It is assumed the garages will remain let until a new purpose for the site is agreed. The decanting of the two blocks will be phased to manage rent loss. The site will provide an opportunity for income through sale or new rental income.                                       |
| Inability to purchase the leasehold unit   | 6   | The Council is experienced at negotiating the purchase of owner occupier properties in regeneration schemes. Should purchase through mutual consent not be possible officers will return to the Council with proposals requesting the commencement of a compulsory purchase order (CPO). Officers do not currently believe a CPO will be required and currently enjoy a positive dialogue with the leaseholder.  |
| Inability to resolve the shop lease  | 8   | SWT is in dialogue with the shop leasee and are progressing through the corporate asset management team the ending of the lease and compensation. It is assumed that the shop closure will increase the  |

| Risk  | Score out of 25 based on probability x impact | Mitigation   |
|---|---|--|
|   |   | vulnerability of the building and the security plan will reflect this challenge.   |
| Site security before, during or after decanting | 15  | A number of mitigation measures will need to be agreed to ensure the site is secured and the community remain safe. Regular inspections of the site will need to be maintained and good communication with tenants and the community to help them report any concerns will be important. The demolition of the flats at the earliest opportunity is seen as important to reduce blight and limit any potential anti-social behaviour. Following demolition, a management regime will be put in place to maintain the space prior to sale or redevelopment. |
| Covid, Brexit, market uncertainty               | 10  | There are a number of external factors which continue to create difficulties when delivering projects in a timely way. SWT and other landlords have experienced challenges in securing contractors and materials to deliver projects in the most timely and economic way. This scheme requires a significant amount of resources from within the authority and therefore is reliant on internal capacity being available.  |

#### 4.0 Background and full details of the report

- 4.1 The properties have been recognised as poor quality for a number of years and this has led to a series of reports being commissioned to understand the most appropriate investment option.
- 4.2 Kendal Kingscott completed a report in March 2021 following an initial stock condition survey report from Curtin's. The report was inconclusive about the quality of the structure and unable to make a recommendation as to the best way forward.
- 4.3 The Kendal Kingscott report suggested commissioning a detailed appraisal of the condition and life expectancy of the concrete frame and associated elements, including testing the concrete condition.
- 4.4 The Curtin's concrete analysis report was received November 2021. The report has highlighted a number of concerns relating to the quality of the concrete and the condition and limited volume of steel reinforcement. As a result of the Curtin's report the building is deemed safe however as the engineers were unable to confirm a 20-year life for the building it is considered that the building is close to the end of its expected life. SWT has put in place a number of actions to monitor the building until demolition is undertaken.

- 4.5 Prior to receiving the most recent engineer's report officers had hoped that an investment option may be possible, and these properties were placed in the Wave 1 Social Housing Decarbonisation Fund (SHDF) bid to attract subsidy for the investment. However, as the properties will not be retained Officers are working to prepare alternative properties to substitute in the Wave 1 programme should the council be awarded the fund.
- 4.6 Options considered for the blocks
- 4.7 Following Curtin's concrete report in November 2021 Officers carried out an option appraising which included the following alternative options:
- Do Nothing
  - Retention and investment (7 -60 years)
  - Phased decant of the blocks over two years without capital investment.
  - Phased decant of the blocks over seven years with capital investment.
- 4.8 Officers concluded that a phased decant of the blocks over two years without capital investment is the preferred option both on economic and safety grounds.
- 4.9 The phase decant of the blocks over two years will require resources to:
- Carry out a limited amount of additional surveying and remediation work plus an inspection regime.
  - Decant fifteen (15) tenants
  - Support boarding up/security, disconnections, additional cleaning regime and additional tenancy support.
  - Purchased one leasehold property and make available the equity loan scheme as applied at NTWP, see appendix C.
  - Provide compensation to the shop lease as a result of being unable to extend the shops lease
  - Support a limited winter fuel payment for SWT customers due to inadequate thermal efficiencies, electric heating systems and the lack of an investment solution to create an affordable solution.
  - Demolition costs
- 4.10 The HRA business plan has recognised the loss of rental income within its December 2021 review.
- 4.11 The housing service is working on the understanding that the garages can continue to be let until an alternative proposal for the sites use is brought forward.
- 4.12 The Tenants Strategic Group considered and approved this Report at its meeting 24<sup>th</sup> January 2022. The TSG identified benefits and value in the support approach provided to customers by SWT officers at NTWP as they decanted and were affected by regeneration. They requested the same level of support be extended to tenants affected at the WD&CC scheme. The TSG also asked if there were opportunities to use new homes at NTWP to support the decanting.

- 4.13 Officers confirm that the support to tenants and residents at NTWP will be mirrored, as closely as possible, at WD&CC. In relation to an offer of NTWP new homes to WD&CC tenants officers do not feel a commitment is appropriate or necessary as it would add an additional layer of complication. The complication would be due to the uncertainty of new unit completions, the speed at which WD&CC tenants would wish to move and the priority of the Council to minimise vulnerability on the WD&CC scheme as it decants. Officers are conducting housing needs assessments with residents which will identify their preferred location(s) for their forever home. The Gold Banding Status will allow a good degree of priority within the Homefinder pool of available properties and this could include new build council homes at NTWP and elsewhere depending on the timing of their bids and the completion of new build homes.
- 4.14 Officers will work with the leaseholder with the aim of agreeing purchase by mutual consent. The housing service has a equity loan scheme which is being successfully used in the NTWP regeneration. The scheme allows owners who are asked to leave their home by the council access to additional funds to allow them to compete in the market for an alternative home. The Council in simple terms takes a stake in the property to the value of the equity loan and benefits from any uplift in house price inflation when the loan period ends. The owner does not pay interest on the council equity loan. Please see appendix C for more information. A benefit of this scheme is that it retain customers in the owner occupied sector and reduces the likelihood that owner occupiers will require affordable rented accommodation.

## 5 Links to Corporate Strategy

- 5.1 In 2019, the Council declared a climate emergency and committed to working towards achieving carbon neutrality and climate resilience by 2030.
- 5.2 WD&CC flats cannot achieve low or zero carbon standards without excessive financial pressures being placed on the HRA Business Plan. The additional investment in the structure of the homes means that demolition is a more effective means to support the Council's strategic objective.
- 5.3 In 2023 the District will be adsorbed into one Unitary Somerset Authority. The Council and the Housing Service remains responsible for its statutory duties and therefore the decisions in response to this reports recommendations are within the responsibilities of the Council, Portfolio Holder for Housing and Director of Homes and Communities.

## 6 Finance / Resource Implications

- 6.1 Members are being asked to approve a supplementary capital budget of £1,111,700 to fund the WD&CC Regeneration scheme. This capital budget will be fully funded through borrowing as there is currently no subsidy identified for this scheme. The final funding for this scheme will be determined and approved by the Section 151 Officer.
- 6.2 The funding will be used to decant and demolish the site until a future use is identified for the land. The estimated spend profile for this scheme is as per the table below.

| Financial Year |          | £       |
|----------------|----------|---------|
| 2021/22        |          | 55,300  |
| 2022/23        | Page 160 | 160,500 |

|              |  |                  |
|--------------|--|------------------|
| 2023/24      |  | 132,700          |
| 2024/25      |  | 491,500          |
| <b>Total</b> |  | <b>1,111,700</b> |

- 6.3 Revenue Impact: This scheme will require the decanting and demolition of 15 x 2 bed apartments that are currently generating (general needs) rental income of c£69k per annum (based on 2021/22 weekly rents). The phased decant proposes that 11 properties will be decanted during early 2022/23 and 4 properties during early 2023/24. The HRA Budget Setting Report for 2022/23 currently assumes rental income from these properties during the year and therefore this scheme will create a budget pressure of c£53k. This will be offset in part by the reduced estimated cost of £1k per property for annual repairs and maintenance, and £5k per property for annual major repairs.
- 6.4 The scheme also encompasses the decant and demolition of one shop (owned by SWT) that is expected to generate rental income of £14k per annum in 2022/23. Therefore, this will create a further budget pressure of £14k in 2022/23 for the HRA.
- 6.5 There are garage units on this site generating rental income of c£6k per annum. The proposal is to create a new entrance allowing these to remain in operation and to continue generating rental income during 2022/23 and onwards.
- 6.6 This capital budget will be fully funded through borrowing as there is currently no subsidy identified for this scheme. This will increase the cost of borrowing for the HRA by c£22k (assuming 2% borrowing) per annum by the end of the scheme. This will be managed through forecasting of the capital financing requirement for the HRA as a whole and treasury management strategies.
- 6.7 A thorough investment appraisal of this project has been undertaken and the costs associated with the decanting and demolition of these two blocks as well as the ongoing reduction in rental income, reduction in estimated cost of repairs and increase in cost of borrowing has been reflected in the HRA Business Plan review December 2021.
- 6.8 The December 2021 Business Plan review has received independent professional advice to provide further assurance that the regeneration project is deliverable within the overall 30-year business plan.

## **7 Legal Implications**

- 7.1 No legal issues to report.

## **8 Climate and Sustainability Implications**

- 8.1 WD&CC flats cannot achieve low or zero carbon standards without excessive financial pressures being placed on the HRA Business Plan. The additional investment in the structure of the homes means that demolition is a more effective means to support the Council's strategic climate change objective.
- 8.2 The properties were assessed as EPC E and therefore in the 10% worst performing SWT council homes as measured against SAP/EPC criteria.

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

9.1 There are no safeguarding or community implications.

## **10. Equality and Diversity Implications**

10.1 An Equality Impact Assessment can be found at appendix B (To Follow).

## **11 Social Value Implications**

11.1 The procurement process will consider the benefit contractors can contribute in terms of social value in particular local labour, use of local contractors and supply chain.

## **12. Partnership Implications**

12.1 No partnership implications identified.

## **13. Health and Wellbeing Implications**

13.1 Very low carbon homes which are well insulated, have good levels of airtightness and use ventilation systems are considered healthy homes. The properties at WD&CC do not possess low carbon qualities and the construction techniques continue to encourage cold bridging which is a significant contributory factor for damp and mould in homes.

## **14. Asset Management Implications**

14.1 The regeneration through the demolition of the flats is seen as the best value for the Council's assets. The creation of a development site provides the Council with an opportunity to improve its assets or receive a capital receipt.

## **15. Data Protection Implications (if any)**

15.1 No data protection considerations.

## **16. Consultation Implications (if any)**

16.1 Consultation has begun with the tenants, leaseholder, shop leasee and the Ward Members. There has been some support and very little concern raised from tenants to the loss of their current accommodation and tenants have welcomed the chance to consider alternative affordable housing through Homefinder. Currently the Council enjoy a good relationship with the leaseholder and both parties are keen to pursue purchase by mutual consent. The shop leasee has been surprised by the Council's position and discussions continue to take place over the date and timing of the lease end.

16.2 Communication with tenants and all other parties will continue to be critical as the regeneration proposals are progressed.

16.3 The Tenants Strategic Group has requested that the support for tenants and residents mirrors that of the NTWP and the service will work hard to provide this level of support at WD&CC.

## **17. Scrutiny/Executive Comments / Recommendation(s) (if any)**

- 17.1 *The Community Scrutiny committee considered the report and gave their unanimous support at their meeting 23<sup>rd</sup> February 2022*
- 17.2 *The Committee gave support to the principle of a new clauses which has been inserted at 2.1(d) in this paper. The clause did not appear on the Scrutiny Committee papers and was reported verbally. The new clause permits access, should the owner wish, to a Council equity loan. This scheme has been used successfully at NTWP for owners being asked to leave their home as a result of council regeneration proposals. A new appendix has been provided to this report to clarify how the scheme works.*
- 17.3 *The Committee felt that the ideal situation would be to bring the land back into use for housing at the earliest possible moment. They felt a period of the cleared site being left vacant was a missed opportunity to provide replacement affordable homes or more affordable homes which are needed in the District.*
- 17.4 *The Committee discussed whether the homefinder system and Gold banding status was sufficient to provide decanting residents with sufficient priority and choice. The Committee was given reassurance that the phased approach and use of the system was appropriate.*

#### **Democratic Path:**

- Tenants Strategic Group – 24<sup>th</sup> January 2022
- Scrutiny / Corporate Governance or Audit Committees – 23<sup>rd</sup> February 2022
- Cabinet/Executive – 16<sup>th</sup> March 2022
- Full Council – 29<sup>th</sup> March 2022

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

#### **List of Appendices**

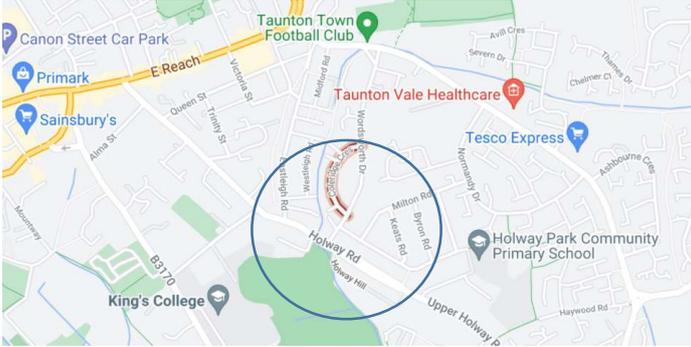
|            |  |
|------------|--|
| Appendix A | Map of the Regeneration Area                                   |
| Appendix B | Equality Impact Assessment                                     |
| Appendix C | SWT Equity Loan scheme for owner occupiers during regeneration |

#### **Contact Officers**

|             |  |  |
|-------------|--|--|
| Name        | Christopher Brown  | Ian Shoemark   |
| Direct Dial | 01823 219764   |  |
| Email       | <a href="mailto:c.brown@somersetwestandtaunton.gov.uk">c.brown@somersetwestandtaunton.gov.uk</a> | <a href="mailto:i.shoemark@somersetwestandtaunton.gov.uk">i.shoemark@somersetwestandtaunton.gov.uk</a> |



Map of the Wordsworth Drive and Coleridge Crescent Flats Regeneration Area, Taunton.







## Somerset Equality Impact Assessment

The [EIA guidance notes](#) will help you complete this assessment.

If you need help or advice please contact Paul Harding. [P.harding@somersetwestandtaunton.gov.uk](mailto:P.harding@somersetwestandtaunton.gov.uk)

|  |  |                       |                                      |
|--|--|-----------------------|--------------------------------------|
| <b>Organisation prepared for</b>   | <b>Somerset West and Taunton Council</b> |                       |                                      |
| <b>Version</b>   | <b>1</b>                                 | <b>Date Completed</b> | <b>11<sup>th</sup> February 2022</b> |
| <b>Description of what proposed change or policy is being impact assessed</b>  |  |                       |                                      |
| <b>Wordsworth Drive and Coleridge Crescent Flat Regeneration</b>   |  |                       |                                      |
| <b>Evidence</b>  |  |                       |                                      |
| <b>What data/information have you used to assess how this policy/service might impact on protected groups? Sources such as the <a href="#">Office of National Statistics</a>, <a href="#">Somerset Intelligence Partnership</a>, <a href="#">Somerset's Joint Strategic Needs Analysis (JSNA)</a>, Staff and/ or <a href="#">area profiles</a>,, should be detailed here</b>   |  |                       |                                      |
| Committee on Fuel Poverty Annual Report October 2021<br>2015 Fuel Poverty Strategy<br>Annual Fuel Poverty Statistic in England 2021, Low Income Low Energy efficiency (LILEE statistics)<br>Project Initiation Document (PID) Wordsworth Drive and Coleridge Crescent Regeneration<br>Low Carbon Standards and Fuel Poverty<br>Decent Homes Standard<br>Stock condition Data surveys x 3<br>Low carbon and fuel analysis of the building via specialist energy assessors VOR Group |  |                       |                                      |

**Who have you consulted with to assess possible impact on protected groups?** If you have not consulted other people, please explain why?

SWT Housing Management  
SWT One team  
SWT NTWP

Customers – Tenants of Wordsworth Drive and Coleridge Tenants via door knocking and Housing Needs Assessments.  
Homefinder Somerset

An assessment of these sources of information illustrate that there are a range of customer with different levels of vulnerability and some tenants who are not vulnerable in relation to housing conditions and housing circumstances. For example (the following list is not exhaustive):

- Age: for the elderly - trips and falls, dementia, cold homes, lack of accessible/adapted properties, incidence of Fuel poverty.
- Disability: lack of accessible/adapted properties for physical and mental 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             | <ul style="list-style-type: none"> <li>• Tenants will be provided Gold Band Status which will allow priority within the Homefinder Somerset system. Housing Needs Assessments will be carried out to help inform officers of customers' needs and advise tenants of accommodation options which may better suit their circumstances. Tenants will have control of which properties they bid for on a like for like basis. However, if customer felt a smaller property would benefit their</li> </ul> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

|                                       |   |                          |                                     |                                     |
|---------------------------------------|---|--------------------------|-------------------------------------|-------------------------------------|
|                                       | <p>circumstances this option would be available to them. Likewise, if customers felt a sheltered property more suitable then this would be available to them. SWTs decant policy and disturbance arrangements recognises additional support for vulnerable customers.</p>   |                          |                                     |                                     |
| <b>Disability</b>                     | <ul style="list-style-type: none"> <li>Tenants will be provided Gold Band Status which will allow priority within the Homefinder Somerset system. Housing Needs Assessments will be carried out to help inform officers of customers' needs and advise tenants of accommodation options which may better suit their circumstances. As part of the Housing Needs Assessment tenant's health needs will be recorded as well as any adaptations they currently have or require. SWT will ensure the customers new home have the adaptations they require. SWTs decant policy and disturbance arrangements recognises additional support for vulnerable customers. If customer felt a smaller property would benefit their circumstances this option would be available to them.</li> </ul> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| <b>Gender reassignment</b>            | <ul style="list-style-type: none"> <li>No specific additional outcomes identified. However, SWTs decant policy seeks to support all affected tenants in moving to a new home. The policy aims to maximise options available to tenants regardless of gender and gender choices.</li> </ul>  | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| <b>Marriage and civil partnership</b> | <ul style="list-style-type: none"> <li>No specific additional outcomes identified. However, SWTs decant policy seeks to support all affected tenants in moving to a new home. The policy aims to maximise options available to tenants regardless of marital or civil partnership status.</li> </ul>  | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| <b>Pregnancy and maternity</b>        | <ul style="list-style-type: none"> <li>No specific additional outcomes identified. However, SWTs decant policy seeks to support all affected tenants and their families in moving to a new home.</li> </ul>   | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |

|   |   |   |   |   |
|---|---|---|---|---|
| <b>Race and ethnicity</b>   | <ul style="list-style-type: none"> <li>No specific additional outcomes identified. However, SWTs decant policy seeks to support all affected tenants in moving to a new home. The policy aims to maximise options available to tenants regardless of their Race or Ethnicity.</li> </ul>  | □ | ☒ | □ |
| <b>Religion or belief</b>   | <ul style="list-style-type: none"> <li>No specific additional outcomes identified. However, SWTs decant policy seeks to support all affected tenants in moving to a new home. The policy aims to maximise options available to tenants regardless of their Religion or belief.</li> </ul>   | □ | ☒ | □ |
| <b>Sex</b>  | <ul style="list-style-type: none"> <li>No specific additional outcomes identified. However, SWTs decant policy seeks to support all affected tenants in moving to a new home. The policy aims to maximise options available to tenants regardless of their sex.</li> </ul>  | □ | ☒ | □ |
| <b>Sexual orientation</b>   | <ul style="list-style-type: none"> <li>No specific additional outcomes identified. However, SWTs decant policy seeks to support all affected tenants in moving to a new home. The policy aims to maximise options available to tenants regardless of their sexual orientation.</li> </ul>   | □ | ☒ | □ |
| <b>Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.</b> | <ul style="list-style-type: none"> <li>Customers who are on low incomes will be able to benefit by moving to a home with improved thermal efficiency and could chose to bid for a property which has a cheaper source of fuel than the electric systems currently at Wordsworth Drive and Coleridge Crescent Flats. If a customer moves to an EPC rated property with gas heating they would currently save in the region of £15 per week during the winter months. Please note that customers use their heating differently and may have different tariffs which affect their fuel costs.</li> </ul> | □ | □ | ☒ |

| <b>Negative outcomes action plan</b>  |             |   |  |                          |
|---|-------------|---|--|--------------------------|
| Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.   |             |   |  |                          |
| <b>Action taken/to be taken</b>   | <b>Date</b> | <b>Person responsible</b>                     | <b>How will it be monitored?</b>   | <b>Action complete</b>   |
| Tenants at Wordsworth Drive and Coleridge Crescent Flats will receive a winter fuel payment of £18 pw during for up to 16 weeks during the winter period December – March until they decant to a new home. This payment will compensate customers for unreasonable fuel costs prior to moving to a new home. The properties are EPC E with direct electric heating and the thermal efficiency of the flats will not improve until the tenant moves to a new home.   | 01/12/2021  | Assistant Director Development & Regeneration | Customers have been informed by letter of the offer. The housing service will monitor the payments made under the fund | <input type="checkbox"/> |
| Housing Needs Surveys will be completed for all tenants and reviewed every 18 months until the tenant is decanted   | 21/02/2022  | Assistant Director Development & Regeneration | HSMT, Housing Programme Board  | <input type="checkbox"/> |
| SWT Housing Service will propose a Low Carbon Retrofit Strategy and Delivery plan to Full Council by April 2023. The strategy will clarify how the council's investment will reduce the likelihood of tenants experiencing fuel poverty (as per the LILEE definition). A household is considered to be fuel poor if: they are living in a home below band C and were they to spend the required amount on fuel costs for the home, they would be left with a residual income below the official poverty line. | Select date | Assistant Director Development & Regeneration | HSMT, Housing Programme Board  | <input type="checkbox"/> |
|   | Select date |   |  | <input type="checkbox"/> |

**If negative impacts remain, please provide an explanation below.**

|   |                                      |
|---|--------------------------------------|
| <b>Completed by:</b>                        | <b>Chris Brown</b>                   |
| <b>Date</b>                                 | <b>11<sup>th</sup> February 2022</b> |
| <b>Signed off by:</b>                       |                                      |
| <b>Date</b>                                 |                                      |
| <b>Equality Lead/Manager sign off date:</b> |                                      |
| <b>To be reviewed by: (officer name)</b>    |                                      |
| <b>Review date:</b>                         |                                      |

Summary of SWT Equity Loan for owner occupiers available when SWT is purchasing private homes during regeneration

During Council led housing regeneration schemes it is sometimes required to purchase back properties purchased from the council through the Right to Buy. This is currently happening at NTWP.

The government sets statutory compensation for property owners providing homeless compensation at market value plus 10%. However, in some cases the compensation is insufficient to purchase a similar property on the open market.

The Equity Loan is designed to provide additional finance to allow the owner to relocate in the private. Equity loans have been used successfully at NTWP to make moving as easy as possible for the owners. The Equity Loan is an added incentive for owners to seek acquisition by mutual consent and reduce the risk of the Council pursuing compulsory purchase order powers.

How does the Equality loan scheme work?

The Council will contribute part of the purchase price of an alternative property and this will be secured by way of a first mortgage where the property is free of funding from a mortgage lender or otherwise a second mortgage may be considered.

The Equity Loan is provided to a homeowner which will be secured against the new home being purchased as a percentage of the market value rather than a fixed sum with interest.

The loan paid back may be different from the initial loan as it is a percentage of the property value. If the property has increased in value, the loan value will also increase. For example, if the house was worth £200,000 and the homeowner took out an equity loan of £40,000 (20%). When the property is sold, it is now worth £250,000, so 20% of the market value would be £50,000.

Eligibility for the Loan:

Home Owners (Owner/occupiers) affected by regeneration and have been informed by the Council that they wish to purchase their home to enable the regeneration scheme (currently NTWP phase A-D and Wordsworth Drive and Coleridge Crescent Regeneration) AND be unable to afford to purchase an alternative similar sized property on the open market.

The Loan will only be available to the registered owners of the properties that the Council will purchase and no additional purchasers such as spouses or children.

Only one Loan per property being purchased by the Council.

The Loan is not available for private landlords/private investors or non-resident homeowners.

Loan Limit:

There is a cap on the lending of 25% of the market value of the house being purchased on the basis of the deflated value of the Woolaway properties to a maximum of £70K.

Maximum Age Limit:

There is no maximum age limit, but the owner must be over 18 years of age.

The maximum term of the loan:

30 years.

Interest be charged on the Loan:

The Loan will be interest free provided that the terms of the mortgage are complied with. Whilst interest would incentivise those who take up the offer to repay sooner if in receipt of a windfall, there was concern that those who would potentially be interested in the loan would be put off.

Securing the Loan:

The Equity Loan will be secured by a Charge on the property. The initial preference is First Charge. The Council's Charge can be registered as a Second Charge, with the First Charge being the principal lender (Bank or Building Society). The Council will ensure the principle lender keeps the Council apprised of any attempt to take a further advance via appropriate wording via a covenant in the Mortgage Deed.

If another mortgage is taken out this will rank in priority below the Council's mortgage unless the Council agrees to a postponement of its' loan. The question of loan to value will be relevant where another lender will have priority and the Council will need to be certain that there is sufficient equity in the property to provide adequate security from all monies that are secured on the property. This will be considered on a case by case basis.

Repayment of the Equity Loan:

The Equity Loan is repayable on death, sale of the property, end of term (maximum term is 30 years) whichever is the earlier OR upon failure to comply with the mortgage terms. The Borrower would also be free to repay the loan early if they wish.

On repayment, the Council will receive either the amount that it has advanced **or** the sum that is an equivalent percentage of equity value which its investment represents in the gross sale price, whichever is the greater. If it lends 25% loan to value, it will receive 25% gross sale price so that in a strong property market there will be some return for its investment. If the prices fall, the Council will remain entitled to the amount that it has advanced and there may be no or a small return. There will be no contribution by the Council towards the costs associated with the sale of the replacement property as it will have paid all costs in connection with the acquisition of the property.

There is no ability to transfer the equity loan to another property, the loan is repayable upon sale of the property or any of the events mention in 3.9 above.

Chris Brown  
Assistant Director Development and Regeneration

## **Motion to Full Council**

Proposed by: Dixie Darch

Seconded by: Gwil Wren

This Council notes that:

- Every river in England is now polluted beyond legal limits.
- The Environment Agency rated only 14% of rivers as 'Good' in 2019.
- This chemical pollution is mostly caused by sewage discharges from water companies and the run-offs of nutrients from farms.
- 36% of English rivers have been damaged by water companies.
- In England, water companies released untreated human waste directly into our waterways over 400,000 times for a total of 3 million hours in 2020 alone.
- Government funding to the Environment Agency to monitor river quality, and regulate farms and water companies has dropped 75% since 2010/11.
- In 2020 just 3.6% of pollution complaints made to the Agency resulted in penalties.
- Farms are now almost never inspected, water quality is rarely tested, and water companies can pump raw sewage into rivers with virtual impunity.
- In addition, tyre particles, metals from brake pads, and hydrocarbons from vehicle emissions wash off road surfaces and into rivers introducing potentially carcinogenic material into the water supply.
- Our LOCAL RIVERS are particularly threatened by further sewage discharges.

This Council believes that the UK Government should commit to:

- Restoring Environment Agency budgets to deliver the necessary oversight.
- Increasing inspection regularity of water companies and farms, and rigorously prosecuting offenders through the Environmental Audit Committee and Ofwat.
- Funding local and highways authorities to introduce systems to prevent road pollutants from entering our water courses.

Council resolves to request the Leader of the Council write to:

- The Secretary of State for Environment, Food and Rural Affairs calling for the Government to make these commitments as host nation of COP-26.
- The Chairperson of the Parliamentary Environmental Audit Committee to advocate for greater enforcement of existing regulatory powers.
- The Chief Executive(s) of LOCAL UTILITY COMPANY(IES) calling for urgent action to address the impact of waste-water discharges on our local rivers.

- The Regional Director of the National Farmers' Union requesting clarification on the action being taken locally by farmers to prevent nutrient run-off.
- The charities River Action and The Rivers Trust expressing this Council's support for their campaign to restore the health of Britain's rivers

## **Somerset West and Taunton Council**

### **Motions to Council – Assessment Form**

On receipt of a Motion from a Councillor, the Governance Team will carry out an assessment as to its contents to establish whether there are likely to be significant consequences to the Council should the Motion be carried at the subsequent Full Council meeting.

The first question to be addressed will be:-

“Can the Motion, if approved, be implemented without the need for any resource (financial and otherwise) to be identified outside existing budgets or staffing capacity?”

If the answer is ‘yes’, then the Motion can proceed towards discussion and resolution.

An example of a Motion which would fall into the above category would be where the Council is being asked to lobby the Government, Somerset County Council or other body on a particular issue. If the motion is carried, the action required will usually involve no more than a letter being prepared and sent to the intended recipient.

However, as in the case of the recent Motion on ‘Climate Change’, the answer to the above question would clearly be ‘no’.

In such circumstances, detailed analysis of the wording of the Motion will be required to identify what will be needed if the Motion – when it comes before Full Council – is carried.

Such analysis will include:-

- What additional resource would be required to ensure the Motion (if approved) could be implemented?
- What needs to be done to identify the level of resource necessary both in financial and staff terms?
- Are any approvals needed to provide these resources?
- Will this require reports to be submitted through Scrutiny and the Executive? If a Supplementary Estimate is required, Full Council approval will be required too.

If such analysis is required, the Governance Team will arrange for the attached pro-forma to be completed and this will accompany the relevant Motion onto the agenda of the Full Council meeting so all Members are aware that further investigation will be required before the Motion – even if it is carried – can be implemented.

## Motions to Council – Assessment Proforma

**(To be used in circumstances where it appears the wording of a proposed Motion will commit the Council to providing further financial or staffing resources which cannot be met from existing budgets)**

### Brief Details of the Motion –

This Council resolves:

- The Secretary of State for Environment, Food and Rural Affairs calling for the Government to make these commitments as host nation of COP-26.
- The Chairperson of the Parliamentary Environmental Audit Committee to advocate for greater enforcement of existing regulatory powers.
- The Chief Executive(s) of LOCAL UTILITY COMPANY(IES) calling for urgent action to address the impact of waste-water discharges on our local rivers.
- The Regional Director of the National Farmers’ Union requesting clarification on the action being taken locally by farmers to prevent nutrient run-off.
- The charities River Action and The Rivers Trust expressing this Council’s support for their campaign to restore the health of Britain’s rivers

### Questions to be addressed

- ***What additional resource would be required to ensure the Motion (if approved) could be implemented?***

Answer –

The council is being asked to lobby Government, and therefore the action required will involve no more than a letter being prepared and sent to the intended recipient. The motion could be implemented without the need for any resource (financial and otherwise) outside existing budgets or staffing capacity.

- ***What needs to be done to identify the level of resource necessary both in financial and staff terms?***

Answer – N/A

- ***Are any approvals needed to provide these resources?***

Answer – N/A

- ***Will this require reports to be submitted through Scrutiny and the Executive? If a Supplementary Estimate is required, Full Council approval will be required too.***

Answer – No.



Association of  
Democratic Services  
Officers



## **Local Authority Remote/Hybrid Meetings**

### Model Motion for Council Meetings

On 5 January 2022, the Association of Democratic Services Officers (ADSO) and Lawyers in Local Government (LLG) launched a petition calling on the Government to change the law to give councils (ranging from county, district and unitary authorities, through to town and parish councils) the freedom to hold remote meetings when local circumstances suit. This includes hybrid meetings.

This follows the unsuccessful High Court action in 2021 and the subsequent judgement that it was for Parliament to change the law not the courts - as indeed the devolved administrations have done in Wales and Scotland to allow for on-line meetings.

We do not wish to impose remote meetings on councils. You should have the choice to decide how you run your meetings depending on local circumstances. We also accept that some meetings (for example full council meetings) are more suited to physical attendance.

You will be aware that the Government issued a call for evidence on 21 March 2021 in relation to remote meetings. We are still awaiting their response to the large number of submissions from local authorities, relevant organisations and the public.

The period of lockdown showed that remote meetings bring so many benefits to local democracy and residents, apart from the obvious public health safeguards. It is no longer just a response to Covid, although we are aware that some councillors are still not able to attend meetings for health reasons either relating to them or their families.

The wider benefits are:

- Increased attendances at remote meetings by both councillors and the public

- Significant cost savings for some authorities arising from much less travel to meetings
- The environmental benefits of less travel, particularly in the large county authorities
- A better work/life balance for councillors
- Improved equality of access to meetings for all and opening up opportunities for more people to stand for election as councillors
- More transparency and openness for the public to see council meetings
- An option to move meetings online when there are constraints, for example bad weather such as snow or flooding.

We therefore ask Councils to consider passing the following motion and writing to the Secretary of State showing your support:

“This Council supports the petition launched by ADSO and LLG on 5 January with regard to remote and hybrid meetings. We agree to write to the Secretary of State for Levelling Up, Housing and Communities calling on the Government to change the law to allow councils the flexibility to hold such meetings when they deem appropriate within agreed rules and procedures.”

-----  
Further information about our organisations is attached. For further enquiries on the above motion, please contact John Austin, ADSO Chair – [john.austin@adso.co.uk](mailto:john.austin@adso.co.uk)

10 February 2022

## More about our organisations

### **Association of Democratic Services Officers (ADSO)**

Formed in 2009, ADSO is the professional body for Governance and Democratic Services Officers in principal local authorities. We provide professional services, training and qualifications to our members as well as representing them in national and local issues. We also support local authorities in developing best practice in governance and related matters.

### **Lawyers in Local Government (LLG)**

LLG was formed in April 2013 by the merger of the Association of Council Secretaries and Solicitors (ACSeS) and Solicitors in Local Government (SLG). It's primary purpose is to represent, promote and support the interests of its members.

Membership is open to local government legal or governance officers working within a local authority, including Monitoring Officers and their deputies, solicitors, barristers, legal executives, licenced conveyancers and trainees.

Lawyers in Local Government is a limited company registered in England and Wales. Registered Number: 8379439. Registered Office: Sycamore House, Sutton Quays Business Park, Sutton Weaver, Runcorn, Cheshire, WA7 3EH.

### **Centre for Governance & Scrutiny (CfGS)**

CfGS exists to promote better governance and scrutiny, both in policy and in practice. They support local government, the public, corporate and voluntary sectors in ensuring transparency, accountability and greater involvement in their governance processes. CfGS is a social purpose consultancy and a national centre of expertise. Their purpose is to help organisations achieve their outcomes through improved governance and performance.

### **National Association of Local Councils (NALC)**

Established in 1947, the National Association of Local Councils is the national body that represents the interests of 10,000 local (parish and town) councils in England. NALC works in partnership with county associations to support, promote and improve local councils.

### **Society of Local Council Clerks (SLCC)**

Founded in 1972, SLCC represents clerks in over 5,000 parish and town councils in England and Wales.

As the professional body for local council clerks and senior council employees, it ensures that its members are equipped with the necessary knowledge, training and skills to thrive within their role and best support their council and community.

## **Somerset West and Taunton Council**

### **Motions to Council – Assessment Form**

On receipt of a Motion from a Councillor, the Governance Team will carry out an assessment as to its contents to establish whether there are likely to be significant consequences to the Council should the Motion be carried at the subsequent Full Council meeting.

The first question to be addressed will be:-

“Can the Motion, if approved, be implemented without the need for any resource (financial and otherwise) to be identified outside existing budgets or staffing capacity?”

If the answer is ‘yes’, then the Motion can proceed towards discussion and resolution.

An example of a Motion which would fall into the above category would be where the Council is being asked to lobby the Government, Somerset County Council or other body on a particular issue. If the motion is carried, the action required will usually involve no more than a letter being prepared and sent to the intended recipient.

However, as in the case of the recent Motion on ‘Climate Change’, the answer to the above question would clearly be ‘no’.

In such circumstances, detailed analysis of the wording of the Motion will be required to identify what will be needed if the Motion – when it comes before Full Council – is carried.

Such analysis will include:-

- What additional resource would be required to ensure the Motion (if approved) could be implemented?
- What needs to be done to identify the level of resource necessary both in financial and staff terms?
- Are any approvals needed to provide these resources?
- Will this require reports to be submitted through Scrutiny and the Executive? If a Supplementary Estimate is required, Full Council approval will be required too.

If such analysis is required, the Governance Team will arrange for the attached pro-forma to be completed and this will accompany the relevant Motion onto the agenda of the Full Council meeting so all Members are aware that further investigation will be required before the Motion – even if it is carried – can be implemented.

## Motions to Council – Assessment Proforma

(To be used in circumstances where it appears the wording of a proposed Motion will commit the Council to providing further financial or staffing resources which cannot be met from existing budgets)

**Brief Details of the Motion** – “This Council supports the petition launched by ADSO and LLG on 5 January with regard to remote and hybrid meetings. We agree to write to the Secretary of State for Levelling Up, Housing and Communities calling on the Government to change the law to allow councils the flexibility to hold such meetings when they deem appropriate within agreed rules and procedures.”

This Council resolves: To write to the Secretary of State for Levelling Up, Housing and Communities calling on the Government to change the law to allow councils the flexibility to hold such meetings when they deem appropriate within agreed rules and procedures.”

### Questions to be addressed

- |   |
|---|
| <ul style="list-style-type: none"><li>• <b><i>What additional resource would be required to ensure the Motion (if approved) could be implemented?</i></b></li></ul> |
|---|

|   |
|---|
| Answer – The resource requirement would be for an officer to write a letter to the Secretary of State for Levelling Up, Housing and Communities |
|---|

- |  |
|--|
| <ul style="list-style-type: none"><li>• <b><i>What needs to be done to identify the level of resource necessary both in financial and staff terms?</i></b></li></ul> |
|--|

|  |
|--|
| Answer – Nothing as it is just drafting a letter to go to the Secretary of State |
|--|

- |  |
|--|
| <ul style="list-style-type: none"><li>• <b><i>Are any approvals needed to provide these resources?</i></b></li></ul> |
|--|

|             |
|-------------|
| Answer – No |
|-------------|

- |  |
|--|
| <ul style="list-style-type: none"><li>• <b><i>Will this require reports to be submitted through Scrutiny and the Executive? If a Supplementary Estimate is required, Full Council approval will be required too.</i></b></li></ul> |
|--|

|             |
|-------------|
| Answer – No |
|-------------|

**Likely timescale involved** – Letter to be drafted, agreed and sent as soon as practicable following the resolution of Council (if they choose to agree the motion).

## **Full Council Meeting 29 March 2022**

### **Corporate Scrutiny Committee Annual Report 2021/22**

#### **Foreword**

Following the decision to split the Council's scrutiny function into two committees I was honoured to be appointed as Chair of the Corporate Scrutiny Committee at the Annual General Meeting of Council in May last year.

The decision to split into two committees had been made in part to cover the extensive workload and allow a more focussed approach to scrutiny of corporate and community matters. This also enabled both committees time to invite the Leader and Executive for extended sessions where their responsibilities could be examined in more depth than Full Council meetings allowed.

The Government's reluctance to renew legislation permitting remote meetings meant that all this year's meetings have been held in person. However, space limitations meant that non-committee Councillors and some officers had to attend and contribute by zoom. After some early technical issues this arrangement has worked reasonably well.

In 2019 the Government published new Guidance for Scrutiny Committees aiming to clarify and broaden their role and influence. Both myself and the Vice-Chair have worked hard to ensure that Scrutiny Councillors gained a greater oversight of their work programme using pre meetings to identify issues. This has allowed us to alert officers and ensure that responses were given at the public meeting rather than through a subsequent written answer. This gave us a stronger voice over the Executive reports we wished to look at in detail and enable maximum influence to be exerted.

Even with the limitations presented by Covid we also wanted to be more proactive and investigate external matters which had a bearing on the residents of our area.

The Leader of the Council continued to encourage transparency and the involvement of members and the programme of Briefings to provide information and background on Council business was able to continue successfully online. This allowed these matters to be aired and questioned without impinging on the committee process where time is limited.

As a Corporate Scrutiny Committee formulating our programme of work and getting updates on our suggestions and recommendations is a keyway that this Council can demonstrate the transparency and accountability that the residents of Somerset West and Taunton expect from their decision-makers. Scrutiny's role as critical friend of the Executive is vital in ensuring that the voice of the community is heard and should result in more inclusive decision-making.

#### **2. Professional Development**

2.1 We planned to hold a Scrutiny Cafe to follow up our 2020 'Away day' but unfortunately the Covid pandemic made face to face meetings extremely challenging and it was agreed to defer this until it could be held safely.

2.2 We continued to focus on:

- improving the involvement of outsiders and third parties to help deliver better outcomes.
- Ensuring we were aware of issues early enough to be able to make a positive contribution particularly in policy development.

- Improving the way that questions and issues raised in Committee were tracked and followed up.
- Having better communication with Executive members

2.3 Accordingly our Top Priority Tasks were:

- 1) Financial Monitoring
- 2) Policy Making
- 3) Holding Exec to Account/Critical Friend – check and balance
- 4) Evidence gathering
- 5) Policy Review – looking back

### **3. 2021/22 Programme**

3.1 Overall the last year has been an extremely busy one for the Committee. We have discussed many and varied issues of community interest and concern such as:

- Distribution of Community Infrastructure Levy monies,
- The Commercial Investment Strategy,
- Innovation
- Phosphate in Watercourses and the impact on developments,
- Unitary Proposals

We also considered the Quarterly reports on Corporate Performance and Budgeting. (More details are in Appendix 1)

3.2 We have also instituted regular slots to question Executive Councillors. Not only does this offer Committee members a greater opportunity for extended questioning than is possible in normal meetings of the Full Council but it also offers Executive Members the chance to expand on their roles and responsibilities.

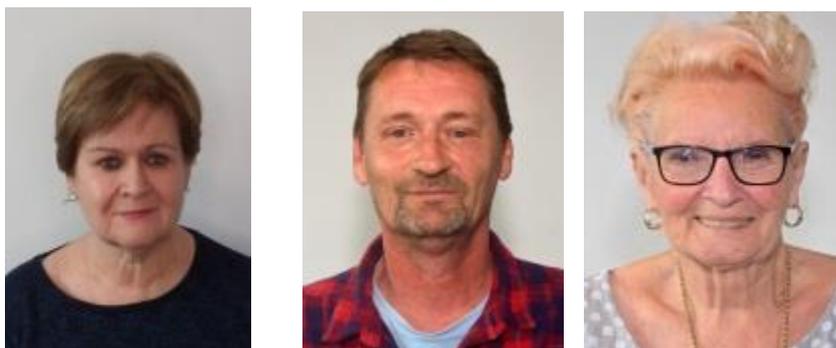
3.3 On a personal note I have been involved in several urgent decisions that require sign off by the Chair of Corporate Scrutiny. These often involved financial decisions and especially the urgent need to roll out grants to local businesses hit by the Covid pandemic. I was also involved in the interview process for both the new Chief Executive and Director of Development and Place.

3.4 As the current Municipal Year ends the Council enters its last year of existence it seems clear that some of our work will be subject to the demands of the emerging Unitary. However, as a sovereign Council, we still must ensure that we maintain our service levels and financial prudence meaning that the role of the Scrutiny Committee will be more important than ever.

3.5 In conclusion I would like to thank the Officers for all their support during a very challenging period. I believe the Committee has made significant progress this year despite the unusual circumstances and that we have a strong foundation going forward.

**This Report is the responsibility of Councillor Gwilym Wren – Chair of the Scrutiny Committee and has been compiled in collaboration with the Vice Chair, Councillor Nick Thwaites.**

**Somerset West and Taunton Scrutiny Committee 2021/22\***  
**\*As constituted at Annual Council on 4<sup>th</sup> May 2021**



- |  |                                 |
|--|---------------------------------|
| 1. Councillor Gwilym Wren (Chair)        | 11. Councillor Barrie Hall      |
| 2. Councillor Nick Thwaites (Vice-Chair) | 12. Councillor John Hassell     |
| 3. Councillor Ian Aldridge               | 13. Councillor Libby Lisgo      |
| 4. Councillor Benet Allen                | 14. Councillor Danny Weddercopp |
| 5. Councillor Marcus Barr                | 15. Councillor Loretta Whetlor  |
| 6. Councillor Sue Buller                 |                                 |
| 7. Councillor Norman Cavill              |                                 |
| 8. Councillor Simon Coles                |                                 |
| 9. Councillor Habib Farbahi              |                                 |
| 10. Councillor Ed Firmin                 |                                 |

## **APPENDIX 1**

### **Topics considered By SWT Scrutiny Committee this year:**

#### **May 2021**

##### **Corporate Risk Management Update**

In considering this report the Committee made the following key points:

- The risk assessment process in staff operations was considered inadequate and the seriousness of implications were encouraged to be considered in further detail.
- The issues log had 3 red indicators; it was questioned if these had been resolved.
- Preparation of risks in advance of the creation of the Unitary Council was encouraged
- IT processing and logging issues and cyber security risks were considered
- Gaps in training, including Health and Safety training in the workforce were identified. Assurance was given these training gaps would be addressed.

#### **June 2021**

##### **Executive Cllr PFH Session - Portfolio Holder for Culture Cllr Caroline Ellis**

Cllr Ellis engaged in a very open and informative session discussing her ambitions for improving the cultural offer across the district. The Committee made the following key points:

- Adverting the cultural offer from areas outside of Taunton was encouraged. Cllr Ellis was compiling a database of all arts and cultural organisations and groups both large and small.
- An update around the Regal Theatre was requested. There had been a new roof and ventilation system installed. The dialogue had been positive, members of the Committee were reminded this did not receive Council funding.
- Encouraging participation for all members of society as parts of the local arts and culture offering was emphasised.
- The future of the cultural offering in Taunton was considered alongside a new venue and the future of the Brewhouse.

##### **Review of the Commercial Property Investment Activity and Performance Report**

During the debate the following comments and questions were raised by the Committee:

- The risk around receiving income based on rents was questioned.
- Discussion took place around why the target related properties and notional figures differed.
- In questioning the income flow it was explained that some rent payments had been received in advance, this related to the period of the end of this financial year. The incomes had been delayed reflecting the period, and this was common for tenants who paid in advance.
- It was questioned if agents were used for the tenants and further information was requested on rent defaults and future rent increases.
- The future market demand for commercial buildings was considered, the impact on the long-term commercial market was understandably uncertain in the long term.
- Concerns over interest rates were questioned, this was a recognised risk however the market remained strong. Potential revisions in anticipated income were always possible in the future depending on the recovery and market demand.
- The Committee considered that communications underpinning the strategy needed to be reconsidered, allowing for the large sums of money involved and the risks of the circumstances
- The commercial legacy of properties would be incorporated at the December meeting.

#### **July 2021**

The July meeting considered the Year End financial reports for 2020/21 including:

- Financial Monitoring - Outturn Position 2020/21

- Financial Strategy 2021/22 to 2022/23
- Corporate Performance Report, Quarter 4 and Outturn, 2020/21

The Committee sought clarity on the following points:

- Can the Finance team provide a comparison with this year's outturn and last years on debts written off?
- Performance Report – Extensions to Planning applications due to phosphates – further detail on how many had had multiple extensions? As reported to Planning Committee there were currently approximately 100 applications, equating to 2,300 dwellings with 13 sites awaiting the discharge of conditions equating to approximately 450 dwellings NB A verbal update was given to the Corporate Scrutiny Committee by Alison Blom-Cooper during the committee meeting on 3/11/21.

### **August 2021**

In August the Committee considered the Innovation Report and a confidential Levelling Up bid. Some Committee members were not happy with the Innovation Report and the subject came before the Committee again in November.

### **September 2021**

The September meeting considered the Quarter 1 2021/22 General Fund Financial Monitoring, the Quarter 1 2021/22 Housing Revenue Account Financial Monitoring and the Corporate Performance Report

Among the issues raised were:

- Collation of parking income was requested along with the projected shortfall with comparison to pre pandemic levels. In response income was consistently 30% lower on pre Covid levels and was not expected to increase this financial year.
- Comparison with the budget agreed in February was considered, with a request for further information in comparison to the detail of the variances.
- HRA Financial Monitoring as at Q1 - There had been a revenue forecast overspend of £610k, with the recommendation setting out £869k, information relating to the variance in the figures was requested.

### **October 2021**

Due to a lack of business the October meeting was cancelled.

### **November 2021**

#### **Executive Cllr PFH Session: leader of the Council and Communications Portfolio Holder - Cllr Federica Smith Roberts**

A very useful session concentrated on the forthcoming arrangements for transition to the new Somerset Council. The Committee sought assurance that District and particularly SWT interests would be protected particularly in more remote areas and that we would play a full part in the ongoing process. A lot of concern was raised about the organisation and nature of the proposed Local Community Networks.

There were also questions about arrangements to create a Taunton Town Council.

There were again comments about improving internal communications especially for elected members.

#### **Innovation District Update**

The Committee questioned whether there were strategic aims in place yet from the Innovation District for improving innovation and if so what the details of those aims were.

In particular:

- Encouraging more young people to stay in or move to the area would be important in enabling innovation and development.

- Concerns were raised about poor broadband and digital infrastructure in the district hindering innovation and development.
- Setting up strategic partnerships was encouraged.
- The evidence and reasoning for not pursuing a science park in Somerset West and Taunton was questioned and discussed.
- Concerns were raised that the terms of reference for the study were not followed in the EIBC study, and it was questioned why this was the case. Concerns were also raised about members having not been provided with the full report. Officers informed the Committee that the release of the full report was not possible due to the confidentiality agreements originally made with businesses who participated in the study. However, the committee was informed that a redacted version would be issued to members.
- It was questioned why the report mentioned an additional employment space review being undertaken for West Somerset to identify more employment land whilst elsewhere in the report it mentions 54,000 square feet of potential land.
- The planned ratio between manufacturing and service industries as part of innovation and development was questioned and it was asked how sustainable employment opportunities would be created.
- Concerns were raised about the suggestion that an Innovation Centre be built in Watchet given the poor transport links in West Somerset. It was questioned whether the aim was to create new employment or attract jobs from elsewhere into the area.
- It was questioned whether a different approach is needed in Somerset West and Taunton or whether instead lessons could be learned, and ideas taken from areas where innovation has been successful.
- It was discussed whether an innovation hub would be better than an innovation district and that having an innovation hub in Taunton initially and then expanding innovation across the district afterwards may be better than immediately looking to establish an innovation district. It was suggested that businesses may initially be more attracted to Taunton due to its proximity to the motorway.
- It was suggested that a feasibility study for an innovation hub in Taunton be undertaken

In conclusion the Committee Recommended to the Executive that:

A feasibility study is undertaken for the provision of an innovation hub based in Taunton and that the Council brings the results of such a study back through the democratic path when completed. The funding for this proposal is to be found within existing 2021/22 budgets where possible.

In response the Executive resolved to progress the work identified in the 'Developing the Innovation Ecosystem in Somerset West and Taunton – Framework for Action' report and not to carry out an additional feasibility study for an innovation hub in Taunton, however as part of SWT's role as an enabler to deliver the space necessary for research and innovation within the district, the council will finance and host a R&I conference in Taunton by or during the summer 2022.

### **December 2021**

The December meeting considered the Quarter 2 Corporate Performance Report, the Quarter 2 General Fund Financial Monitoring and the Draft 2022-23 General Fund Budget Update.

As part of the scrutiny of these reports the Committee queried:

- Why West Somerset was apparently being prioritised for infrastructure? This is to resolve long standing issues in Minehead and W Somerset. In response there is a need for economic support and employment land.

- Whether the average relet time of 44 days under homes and communities was normal? In response this target was set under Covid conditions and benchmarked against other District Council performance
- Fly tipping was raised as being a big issue and it was questioned what was being done to address this. In response at the end of September, performance for the year-to date is 81% which is exceeding the target of 80%. Fly-tipping is dealt with by an external contactor and performance has improved during the year.
- What is the current Phosphate progress? In response the Council had difficulty in recruiting to essential posts, but this was now in hand.
- It was reported that car parking losses had been partially covered by Covid grants and funds have been taken from the Emergency Risk fund. The change in parking behaviours was having an impact on income and a Car Parking Review was being proposed.

### **January 2022 (Meeting 1)**

The Committee considered:

The Annual Infrastructure Funding Statement with questions about CIL especially going forward into Unitary. The Committee also felt that a review of CIL in the District was needed. In addition, the council had to ensure that all funds held were advertised and spent in a timely manner.

The confidential Commercial Property Investment Strategy, Six Monthly Performance Review and Asset Management Strategy was also considered.

### **January 2022 (Meeting 2)**

At the end of January, the Committee scrutinised the Budget proposals for 2022/23.

### **February 2022**

The Committee held sessions with two Executive Portfolio holders.

Councillor Marcus Kravis – Economic Development & Asset Management

Topics covered included:

- The Coal Orchard development and the difficulties facing the contractors
- The future of Taunton Bus Station
- West Somerset Employment land
- The Innovation Committee

Councillor Mike Rigby – Planning and Transport

Topics covered included:

- Progress on resolving the Phosphate planning delays
- Car parking and the Parking review.
- The Local Plan review.
- District Housing supply.



# **Full Council Meeting 29 March 2022**

## **Community Scrutiny Annual Report 2021/22**

### **Foreword**

I was surprised and pleased to be appointed to the position of Chair for the Somerset West and Taunton (SWT) Community Scrutiny Committee in its inaugural year. It is unfortunate that with the onset of the Unitary Council, this will become one of the briefest committees in the short history of SWT Council.

Nevertheless, we have managed to get through a sizeable chunk of work, and I am both pleased and gratified with how my colleagues have scrutinised the various reports and items that have come before us in the past twelve months.

2021/22 has been a memorable period, during which Members have worked together to tackle the myriad of conflicting pressures relating to the Coronavirus pandemic that have affected our work and the lives of our constituents in so many ways. We have also had to deal with the changing face of Somerset as we move towards a new Unitary Council, with the resultant anxieties, uncertainties, and concerns from both our own staff, colleagues and local organisations.

Clearly one of the most fundamental components of successful scrutiny lies in partnership working and about acting as much more than just a critical friend or opposition to the Executive. I am therefore grateful to the Leader of the Council for continuing to encourage transparency and involvement of Scrutiny in the decision-making process.

In this, we benefit from the collegiate way of working, which has been ably demonstrated in the various cross-party task and finish groups that have been established in the last year. Of particular mention is the Zero Carbon Retrofit led by our Vice Chair, Cllr David Mansell which came to Community Scrutiny in January 2022.

### **2021/22 Programme**

Overall, the last year has been an extremely busy one for the Committee. We have discussed many and varied issues of community interest and concern such as:

- Review of the VCSE Community Grants
- Social Housing Developments in Taunton and Minehead
- The Climate Emergency Strategy and Climate Resilience Plan
- Single Homelessness and Rough Sleeping Accommodation Plan
- The Future of Flook House
- Council Housing Zero Carbon Retrofit
- North Taunton Woolaway Project
- Litter Strategy and Enforcement
- Electronic Parking Permits – a verbal update

We also received regular reports on the Housing Revenue Account and Housing Performance, which included updates on how the Housing Directorate was coping with the ravages of COVID-19. Despite many challenges the Housing Service continues to support tenants and vulnerable members of the community, and this has been noted on the occasions reports are brought before Scrutiny.

We also continued to include a regular slot to question Executive Councillors. Not only does this offer Committee members a greater opportunity for extended questioning than is possible in normal meetings of the Full Council but it also offers portfolio holders the chance to expand on their roles and responsibilities.

|                  |                           |
|------------------|---------------------------|
| Cllr Derek Perry | Sports, Parks and Leisure |
| Cllr Fran Smith  | Housing                   |
| Cllr Chris Booth | Communities               |
| Cllr Dixie Darch | Climate Change            |

We look forward to a visit from Cllr Andy Sully on the Environment portfolio in the coming months.

## **Updates from Partners / External Organisations**

### **Update on Post Office Provision**

April Meeting - Richard Hall - External Affairs Manager South England and Wales / Jason Collins Network Team)

### **Avon & Somerset Police**

September meeting – Chief Inspector Justin French – Question and Answer session.

### **Onion Collective**

January Meeting – Directors of Onion Collective – Question and Answer session.

## **Conclusion**

To conclude, 2021/22 has been an unusual year for many reasons, but I would like to take this opportunity to thank my Scrutiny Member colleagues for their support, flexibility and commitment over this period. This includes my fellow Corporate Scrutiny Chair, Cllr Gwil Wren and the vice chairs who have fully played their part in making sure that we got on with the business of the Council as the residents of SWT would expect.

Despite only having one year left as a sovereign Council there is still much work to be done. I look forward to working with colleagues on the evolving Unitary Council, and the emergence of a Taunton Town Council, whilst continuing to support our communities in the post pandemic world.

Cllr. Libby Lisgo  
Community Scrutiny Chair

# **Full Council 29 March 2022**

## **Audit and Governance Committee Chair's Annual Report 2021/22**

**Report Author: Cllr Lee Baker, Chair of the Audit and Governance Committee**

### **1. Introduction**

To provide Members of the Council with details of the work carried out by the Audit and Governance Committee (AGC) during the year ended 31 March 2022. The report also details how the AGC has fulfilled its terms of reference during this period.

This year, following a review and report from the Council Governance Arrangements Working Group it was resolved by Full Council at its Annual Council meeting on 4 May 2021 that the Audit Governance and Standards Committee be split into two separate committees. The two committees subsequently formed were the Audit and Governance Committee and the Standards Committee. The last meeting of the Audit Governance and Standards Committee was held on 12 April 2021. The first meeting of the Audit and Governance Committee, at which I was elected as Chair of the committee having previously been Chair of the Audit Governance and Standards, was held on 14 June 2021.

### **2. Background**

The AGC function is to provide assurance of the adequacy of the risk management framework and associated control environment; provide scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weaknesses in the control environment and oversees the financial reporting processes. The Committee's specific powers are set out the Terms of Reference in the Constitution.

Audit Committees are a key component of a robust Corporate Governance framework and provide an important source of assurance about an organisation's arrangements and practices for managing risks, maintaining an effective control environment, together with reporting on financial and other performance.

In 2018, The Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities to help ensure that AGC's operate effectively. The AGC has adopted the procedures set out in this guidance as best practice. The guidance also recommends that the AGC's report annually on how they have discharged their duties.

### **3. Work Undertaken and Findings**

The AGC have met on five occasions in the year between April 2021 and the date of this report (2 March 2022) and is due to meet twice more before the end of the financial year, on 14 March 2022 and 22 March 2022. The Audit

Governance and Standards Committee, before it was dissolved, met once in the same period. The final meeting of the Audit Governance and Standards Committee was conducted virtually via 'Zoom', which is far from easy and never my preferred option. All five meetings of the AGC this year have been face to face meetings, which I enjoy more. There are currently five more scheduled AGC meetings for the remainder of the calendar year 2022, in March, June, September and December 2022. Looking forward, it is sad to note that the coming year will be the last year that the SWT Audit and Governance Committee will sit before handing over to the Audit and Governance function of the new Unitary Somerset Council.

It has, overall, been a busy and informative year from both a financial and a governance perspective. During this period, the AGC has assessed the adequacy and effectiveness of the Council's risk management controls and monitoring arrangements, together with the associated counter fraud systems. The AGC has reviewed various governance items including the Council's Local Code of Corporate Governance, Risk and Opportunity Management Strategy, 2020-21 Annual Governance Statement and proposed changes to the Council's constitution. We have begun to regularly receive updates on health and safety as well as reviewed Landlord Compliance, as a result of concerns raised by Internal Audit reports. In addition, the committee has monitored that audit recommendations are being actioned by officers, with regular progress reports coming before the AGC. Covid has continued to impact the Council, the auditors and the work of the committee, however, I hope that going forward into next year the impact of the pandemic on our work will lessen.

In September the AGC reviewed and approved the 2020-21 Annual Governance Statement and Statement of Accounts for SWT which were compiled and approved before the required deadline, one of only 9% of councils to have made this deadline which is a feat we can all be very proud of. Both internal auditors (SWAP), and Grant Thornton External Auditors along with I as Chair and the rest of the AGC, have all thoroughly discussed the audit process and all parties are very pleased with progress, despite the obstacles of COVID. A great deal of scrutiny and challenge was put into these topics by the committee, but I am overall very pleased with the resulting outcome. All parties mentioned are satisfied with progress in this regard and deem it a very good result and a reasonably healthy and assured future for moving to unitary with no major High-Risk issues to be highlighted at this stage.

I want to thank all the excellent members of the Audit and Governance Committee for their support throughout a challenging year, particularly the Vice-Chair Ed Firmin. I want to thank Paul Fitzgerald, John Dyson and all the finance team. I also want to thank our external auditors Grant Thornton and our internal auditors SWAP, special thanks to Jackson Murray of Grant Thornton and Alastair Woodland of SWAP for joining us at our meetings. I would like to thank the Governance Team for their continued support and our new clerk Jess Kemmish who has kept me in tow (and believe me that's not easy!) and I very much look forward to working with the team next year.

#### **4. Financial Statements**

The 2020-21 Annual Governance Statement and Statement of Accounts for the Authority were, as I have mentioned above, produced on time. The Council's Statement of Accounts received an Auditor's unqualified opinion and in a new Auditor's Annual Report we have received assurance over value for money arrangements with only one key recommendation related to borrowing risk. The management response provided an extensive overview of our risk management arrangements in this regard, but we will keep the action plan under review.

#### **5. External Audit**

During 2021, Grant Thornton's audit plan updates were received regularly throughout the year, including:

- Audit Plan for 2020/21 Accounts
- Progress reports and Sector Updates
- Risk Assessment 2020/21 - ISA240 Inquiries of Management
- Audit Findings Report 2020/21
- Assessment of Going Concern for 2020/21 Accounts
- External Auditors Annual Report 2020/21

The 2022/23 external audit plan is scheduled to be considered by the Committee in March 2022.

#### **6. Internal Audit**

This function is provided by SWAP. It appears to be very effective. During the year, the AGC has received and considered various items highlighted by SWAP, together with SWAP's schedule of work to be performed over the financial year, including:

- SWAP Internal Audit – Outturn Report 2020/21
- SWAP Internal Audit – Annual Opinion Report 2020/21
- Internal Audit Plan progress updates (quarterly)
- Baseline Assessment of Maturity in relation to Fraud

I have not listed or catalogued all outstanding risk issues that are under discussions at the AGC, however, members can access the relevant information in the appropriate AGC minutes and agendas in Mod.Gov and either I, the AGC, Governance or the SWT Finance Team will be more than happy to answer any member or public queries if they arise. Suffice to say all relevant parties are in agreement that the SWTs governance process and audit procedures are generally fit for purpose going forward.

#### **7. Summary**

This year has still posed many challenges for the Audit and Governance Committee however, now that we have moved past the Transformation Period and the pandemic is having less of an impact on everyday life, I feel the

business of the committee has settled into a good rhythm. I hope that this will continue into next year so that we may leave the dealings of the committee in good stead for the new unitary authority.

I am satisfied that SWT's Governance and Audit processes continue to remain good and fit for purpose and am reassured that this opinion is shared by the Internal and External Audit functions.

In my second year as Chair of the Committee I hope I have managed to interject some humour to the proceedings whilst we effectively conducted the business of the committee.

Councillor Lee Baker  
**Chair, Audit and Governance Committee**