South Somerset District Council

Public Document Pack

South Somerset District Council

Thursday 19th November 2020

6.30 pm

A virtual meeting using Zoom meeting software

All members of Council are requested to attend this meeting.

Any members of the public wishing to address the virtual meeting at Public Question Time need to email democracy@southsomerset.gov.uk by 9.00am on Wednesday 18th November 2020.

The meeting will be viewable online by selecting the meeting at:
https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF_soA

For further information on the items to be discussed, please contact democracy@southsomerset.gov.uk

This Agenda was issued on Wednesday 11 November 2020.

Alex Parmley, *Chief Executive Officer*

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

South Somerset District Council Membership

Chairman: Paul Maxwell
Vice-chairman: Jenny Kenton

Jason Baker
Robin Bastable
Mike Best
Neil Bloomfield
Dave Bulmer
Hayward Burt
Tony Capozzoli
Martin Carnell
Malcolm Cavill
John Clark
Nicola Clark
Louise Clarke
Nick Colbert
Adam Dance
Sarah Dyke
Karl Gill
David Gubbins
Peter Gubbins
Brian Hamilton
Mike Hewitson
Henry Hobhouse
Ben Hodgson
Charlie Hull
Kaysar Hussain
Val Keitch
Andy Kendall
Tim Kerley
Mike Lewis
Mike Lock
Pauline Lock
Tony Lock
Kevin Messenger
Graham Oakes
Tricia O'Brien
Sue Osborne
Tiffany Osborne
Robin Pailthorpe
Oliver Patrick
Clare Paul
Crispin Raikes
Wes Read
David Recardo
Paul Rowsell
Dean Ruddle
Gina Seaton
Peter Seib
Garry Shortland
Alan Smith
Jeny Snell
Andy Soughton
Mike Stanton
Rob Stickland
Lucy Trimnell
Gerard Tucker
Linda Vijeh
Martin Wale
William Wallace
Colin Winder

Information for the Public

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

Members of the Public are able to:-

- attend meetings of the Council and its committees such as Area Committees, District Executive, except where, for example, personal or confidential matters are being discussed;
- speak at Area Committees, District Executive and Council meetings;
- see reports and background papers, and any record of decisions made by the Council and Executive;
- find out, from the Executive Forward Plan, what major decisions are to be decided by the District Executive.

Meetings of the Council are scheduled to be held monthly at 7.30 p.m. on the third Thursday of the month (unless advised otherwise). However during the coronavirus pandemic these meetings will be held remotely via Zoom video-conferencing. For more details on the regulations regarding remote/virtual meetings please see the Local Authorities and Police and Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 as part of the Coronavirus Act 2020.

The agenda, minutes and the timetable for council meetings are published on the Council's website – http://modgov.southsomerset.gov.uk/ieDocHome.aspx?bcr=1

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

Public participation at meetings (held via Zoom)

Public question time

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

If you would like to view the meeting without participating, please see:
https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF_soA

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

If you would like to address the meeting at Public Question Time, please email democracy@southsomerset.gov.uk by 9.00am on Wednesday 18 November 2020. When you have registered, an officer will provide the details to join the meeting. The Chairman will invite you to speak at the appropriate time during the virtual meeting.

Virtual meeting etiquette:

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

South Somerset District Council
Thursday 19 November 2020

Agenda

1. Apologies for Absence

2. Minutes

To approve and sign the minutes of the previous meeting held on Thursday, 15th October 2020.

3. Declarations of Interest

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

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

4. Public Question Time

5. Chairman's Announcements

Items for Discussion

14. Motions

There were no Motions submitted by Members.

15. Questions Under Procedure Rule 10 (Page 68)

16. Date of Next Meeting (Page 69)

South Somerset District Council

Chairman's Engagements

The Chairman's engagements have largely been cancelled or postponed due to the current Covid-19 pandemic. This month he has attended a remembrance service at Minster Church, Ilminster, on Wednesday 11th November 2020.

South Somerset District Council

Presentation by Kiwi Power (SSDC Opium Power Ltd business partners) on the Battery Energy Storage market

Executive Portfolio Holders:	Sarah Dyke, Environment John Clark, Economic Development inc.Commercial Strategy
Strategic Director:	Clare Pestell, Commercial Services and Income Generation
Contact Details:	Clare.pestell@southsomerset.gov.uk or 01935 462520

Officers of Kiwi Power Ltd, business partners of SSDC Opium Power Ltd, will provide Members with a presentation on the Battery Energy Storage Market, how it works and why it is needed to ensure the efficient use of the UK's renewable energy.

The SSDC OPL 30MW Battery Energy Storage facility near Taunton is providing essential power management assistance to the National Grid. It is currently the largest council-owned operational battery energy storage system in the UK and comes as a result of South Somerset District Council investment.

Members will be invited to ask questions at the conclusion of the presentation. Should members wish to email questions in advance, these will be answered on the evening, if appropriate to do so in a public meeting. Any commercially, financially sensitive questions will be responded to separately by email. Detail about SSDC's own specific investment will be updated in the December District Executive Asset Update report, in confidential session.

South Somerset District Council

'Towards a Climate Resilient Somerset' – Somerset's Climate Emergency Strategy

Executive Portfolio Holder:	Cllr Sarah Dyke, Environment
Strategic Director:	Kirsty Larkins; Strategic Director Strategy and Commissioning
Lead Specialist	Peter Paddon; Lead Specialist - Strategy and Commissioning
Lead Officer:	David Crisfield; Specialist – Strategic Planning
Contact Details:	david.crisfield@southsomerset.gov.uk or 01935 462240

Purpose of the Report

1. The purpose of this report is to seek Full Council approval of the Somerset Climate Emergency Strategy - "Towards a Climate Resilient Somerset".

Public Interest

1. In accordance with the motion passed to declare a Climate Emergency by South Somerset District Council in 2019, and similar motions declared or recognised by the three other District Councils and Somerset County Council, this Strategy has been developed in order to identify ways in which Somerset can achieve carbon neutrality by 2030 and to make the county resilient to the inevitable effects of Climate Change in the longer term.

2. The Strategy sets out the current context via an evidence base, outlines the goals and outcomes that we want to achieve and provides an initial, high-level action plan to deliver the activities required to achieve those aims.

3. The Strategy has been co-produced by SCC and the four District Councils along with a wide range of academic, sectoral and subject experts and partner organisations. It is planned that this Strategy will be adopted by SCC and the four District Councils of Somerset before the end of 2020 and will inform policy and funding decisions over the coming years.

Recommendations

4. That Council agrees to adopt the Somerset Climate Emergency Strategy – "Towards a Climate Resilient Somerset"

Background

5. In 2019, the five Somerset Local Authorities each recognised or declared a 'Climate Emergency' and agreed to collaborate in producing a joint Climate Emergency Strategy. Whilst each declaration is slightly different, all aspire to achieving carbon

neutrality in their own operations and to work towards achieving this across the geography of their administrative area. Given the alignment of the declarations, it was agreed that a cross-authority Strategy be developed to identify ways in which the county of Somerset can become ‘Carbon Neutral’ by 2030.

6. Experts from the field of academia, industry, climate activism and subject matter experts from across the Somerset Local Authorities worked together to develop the scope of a high-level Framework document. It described how we planned to approach this work and identified the key areas of focus and to help members of the public understand the scale of the challenge set by the ambitious targets within the ‘Climate Emergency’ and to inform the resulting Strategy and local Action Plans

7. The Framework document identified a number of key themes and proposed actions and an initial planned direction of travel for the Strategy. It recommended the work would be carried out through a number of discreet yet interdependent work streams made up of local authority and industry experts. The role of these work streams would be to understand the international, national and local context and impacts of Climate Change and to begin to focus, on the challenges ahead, the Outcomes we would need to achieve and to identify specific actions and activities to deliver the Strategy’s Goals and Objectives.

Strategy Development

Consultation

10. Somerset Climate Action Network (SCAN) was commissioned to support a comprehensive public consultation on the Framework document during January and February 2020. The public feedback was overwhelmingly positive on the direction of travel proposed and the emerging foci for the Strategy. The consultation report noted overwhelming public agreement with the majority of actions being proposed receiving a 90%-plus approval rating as being a ‘priority’ or ‘major priority’, in the public view.

11. Of the 33 proposed actions the least popular was still regarded as a ‘priority’ or ‘major priority’ by 76% of respondents.

12. The overwhelming message was that the Somerset adults and young people who took part in the consultation wanted the Councils to take Climate Change action as soon as possible, provided it was proven to be effective, communicated and, where possible, taken forward in collaboration with local communities.

13. Further consultation was undertaken with the business community of Somerset; an event held at Taunton Rugby Club in January 2020 was attended by over 100 delegates from businesses across Somerset who were invited to feedback their priorities regarding climate change, the barriers to implementing initiatives and to share best practice.

14. Another event hosted by the South West Councils and sponsored by WSP Consulting was also successfully held earlier in February 2020 providing further insight and expertise to leading edge thoughts on tackling Climate Change.

15. Due to the overwhelmingly positive feedback on the Framework document and the express wish of the public for the Strategy to be completed and implemented as soon as possible, the decision was taken to revise the original plans and dispense with the requirement for a second consultation on the final draft Strategy document itself.

    a. Following the consultation, work began on shaping the Strategy based on the feedback received and analysis of the changes required for Somerset to become carbon neutral and increase our resilience to the risks posed by Climate Change at a local level.

    b. To utilise the knowledge available within the County, a wide range of partners with sector expertise were invited to inform and lead several work streams within the Strategy along with input and review from a range of key organisations with Climate Change and sustainability sector intelligence and expertise. To ensure the approach taken was on a sound scientific basis further guidance was also taken from academics at Exeter University and experts from Somerset Climate Action Network (SCAN).

    c. A joint, cross-authority Scrutiny Task & Finish (T&F) Group comprising nominated members from each of the 5 Local Authorities was set up in 2019 to oversee development of the Strategy and to provide guidance to the Strategic Management Group of Officers responsible for bringing the Strategy together. The T&F Group has met on six occasions between September 2019 and September 2020. These meetings have included a number of work stream-based breakout sessions, the consideration of work stream progress reports and provided an opportunity for Members to discuss and give advice and support on:

        - the scope of the Strategy
        - the guiding principles to guide the work and direction of travel
        - the Somerset Climate Emergency Framework document and consultation process
        - the Goals and Outcomes
        - the draft Somerset-wide Strategy

    d. With support and guidance from a range of organisations and individuals with sector knowledge, the Strategy was developed to:

        i. Provide an evidence base, setting out how our climate is changing and the challenges and opportunities we face.
        ii. Provide the beginnings of a policy framework, outlining our goals and ambitions for tackling Climate Change here in Somerset, and
        iii. Inform a high-level action plan, setting out the critical actions needed to deliver our goals, enabling us all to adapt and thrive in the future.

Strategy Focus

16. The Climate Emergency Strategy for Somerset is built around 3 goals:

    Goal 1: To decarbonise Local Authorities, the wider public sector estates and reduce our carbon footprint

    Goal 2: To work towards making Somerset a Carbon Neutral County by 2030

    Goal 3: To have a Somerset which is prepared for, and resilient to, the impacts of Climate Change

17. Work was undertaken to understand where Somerset's carbon emissions are generated, and to begin to understand our wider carbon consumption, identifying nine sectors which are impacted by Climate Change and have a major impact upon our ambition to become a carbon neutral County by 2030.

18. These nine sectors are:

    1. The **Energy** we use, the emissions produced from its use and the types of energy we will look to harness in future

    2. Our **Transport** networks, when and where we travel, and the means we choose to make these journeys

    3. The **Built Environment** - where and how we live and work, the types of homes we live in, our commercial and industrial buildings and what we want for buildings in the future

    4. Our local economy, specifically our **Business, Industry and Supply Chains**

    5. Our **Natural Environment** - how we can protect it and utilise it to reduce the harmful impacts of Climate Change

    6. Our **Farming and Food** - what, where and how we produce our food and crops, vital to the rural economy of Somerset

    7. Our **Water** resources - how they are managed to minimise the impacts of flooding and drought on our residents, buildings and landscapes

    8. The management of our **Waste and Resources**

    9. How we **Communicate** and Engage with Somerset's citizens to enable us all to make life choices which reduce our impact on the environment locally, nationally and globally

19. Specialists from the Local Authorities and partner organisations led work on each of the nine themes or sectors, analysing and prioritising current and future issues,

considering local and UK Government policy implications, analysing opportunities and challenges each would face in achieving our Goals and identifying a series of actions needed to minimise emissions and build resilience within each area of work.

a. The Strategy outlines a wide range of objectives and outcomes that each sector will need to deliver in order to cut emissions and to adapt and build our County's resilience to the adverse impacts of Climate Change in the immediate, medium and longer term.

b. A summary of the opportunities and benefits and barriers and challenges in each of the sectors are documented within the main body of the Strategy, with more detailed analysis within respective sectoral documents that are appended to the main Full Strategy document.

c. Whilst the majority of the technical detail is contained within the appendices, the Strategy is still a complex and lengthy document. In order to ensure accessibility to the general public a much shorter 'Summary' Strategy Document has also been developed. This Summary document focuses more on the issues of climate change, what it will mean for Somerset and what we are going to do about it. It also focusses on some suggestions on how residents can get involved and what they can do to address some of the issues.

Action Plan

20. An initial high-level Action Plan has been created setting out a list of actions that have been identified which will be required to start us on the journey to carbon neutrality.

21. Where known, these actions have been costed, key lead organisations identified and timescales for delivery set. Other actions require further work to understand in more detail the quantum of the task ahead and to define associated costs. In some areas more detailed feasibility studies are required and project funding is still to be identified. The Action Plan is a 'live' document which will be reviewed and updated regularly to monitor progress, new technologies and innovations, national and local policy, legislative change, and funding streams as they become available or cease.

22. Projects within the strategic Action Plan will be prioritised through an assessment of:

- Strategic fit with the Goals of the Strategy
- Activities which can be taken forward quickly
- Scale of impact
- Deliverability risk
- Timescales to completion
- Resources and capacity to deliver
- Funding required and available to initiate and enable the activity

- Costs of projects against return on investment (in terms of carbon saved and progress towards achieving our agreed goals and outcomes;
- Benefit to Somerset and
- Sustainability.

23. The ability of the Somerset authorities to deliver on these actions is entirely dependent on our ability to:

    - Secure and maintain partnership buy-in and ownership of the Somerset-wide Strategy;
    - Engage all segments of our Community in contributing; and
    - Lobby for, and secure Government support, national policy change, funding and resources.

24. Discussions are ongoing regarding the future governance and funding arrangements for the actions to be delivered by the five Local Authorities.

Delivery

25. The Strategy identifies that it will be essential to prioritise actions and project delivery. It proposes further work to develop a Marginal Abatement Cost Curve (MACC) tool (which essentially illustrates the cost effectiveness of different actions by presenting their cost per tonne of CO_2 saved and the total amount of CO_2 that could be saved). MACC assessments are a powerful tool for understanding the best place to put funding in order to deliver carbon savings. It is likely that MACC analysis will influence future iterations of the Action Plan as well as the evolving strategic action plan for the Somerset-wide Strategy.

26. The Strategy highlights a number of issues where a pan-Somerset, wider than single authority or multi-agency approach, is required or would otherwise be beneficial. The strategy also notes that as local authorities we have limited reach in terms of our powers and influence. For this reason, the engagement and commitment of every organisation, business, community and resident of Somerset is required. The Somerset-wide Strategy sets out that we will collectively work with communities, communicate effectively with them, and lobby Government to enable this.

27. Key Performance Indicators (KPIs) will be developed at a programme level to monitor actions and review progress. Progress will subsequently be reviewed and reported to each local authority annually.

28. The Strategy recognises the need to set up strong governance processes to ensure delivery of the actions identified. It states that a steering group, committee or task-force combining Officers and Members from across the Local Authorities and representatives from key organisations, will be needed to oversee the delivery of these actions. They will also advise on future courses of action, agree funding priorities and help communicate the successes and challenges that Somerset faces as we aim for a carbon neutral County by 2030.

29. Exmoor National Park Authority is supportive of the Strategy and is working with relevant thematic groups and partners to identify where they can work together on actions to deliver the shared ambitions of their climate response.

Views of the Joint Scrutiny Task & Finish Group/Portfolio Holders and approval process

30. As noted earlier, a Joint Scrutiny Task & Finish (T&F) Group was set up in 2019 to oversee development of the Somerset-wide Strategy.

31. The draft Somerset-wide Strategy was first presented to the T&F group at a meeting on 13 August 2020 and subsequently revised to take account of comments made by the group and officers. Subsequently the final draft document has been discussed again with the T&F members and Portfolio Holders on 21 September 2020.

32. The Task & Finish Group have produced a joint, cross authority statement declaring their support for the Strategy.

"The Climate Emergency Scrutiny Task and Finish Group gave support, guidance and advice to the cross-Local Authority group of Officers who prepared this Climate Emergency Strategy and its associated Action Plans. The Strategy outlines Somerset's first steps towards meeting the urgent challenges which the Climate Emergency and Climate Change present.

What is being considered today is the result of a year's worth of research, analysis, consultation and debate, all of which has informed and enabled the writing of this evidence-based Strategy. Officers from all 5 Authorities worked in collaboration with a host of partner organisations, sector experts and local activists, drawing on their expertise, every one passionate about tackling the effects of the Climate Emergency.

The Strategy is robust and ambitious. While individual Members of the Task and Finish Group may support elements of the Strategy and Action Plan to differing degrees, we all agree that the time for Somerset to take action to minimise our environmental impact is now.

This is a Strategy for the whole of Somerset, not just our 5 Local Authorities. It will take the efforts of every community, business, adult and child in Somerset to commit to the aims of the Strategy if we are to make swift progress towards carbon neutrality, and aid Somerset's resilience to the impacts of the Climate Emergency.

The analysis of the feedback from our comprehensive consultations over the last year has revealed overwhelming support for the actions and approach being proposed in the Strategy, coupled with a message, that came through loud and clear, that we as local authorities and community leaders must start taking action on climate change as soon as possible, provided that it is effective, communicated and, where possible, done in collaboration with local communities. The adoption of *this Strategy would be important step in the enabling of the coordinated necessary actions that we must all be taking.*

As the foreword to the Strategy says, this is the start of the journey. We won't have included everything that we need to do, or got everything right first time. Policies will change and our understanding of the challenges ahead will increase. We don't have all the answers yet, but we are committed to taking the necessary actions.

The Task and Finish Group are proud to be associated with this Strategy and recommend to this Committee that it progresses to Full Council for adoption".

33. In addition the five council Portfolio Holders have also issued a joint statement as follows

"The 5 Cabinet Members responsible for Climate Change are delighted to recommend to you the Climate Change Strategy 'Towards a Climate Resilient Somerset'.

This is a very important piece of work which we are proud to be associated with which starts us on our journey to making this county resilient to the impacts of Climate Change.

We have liaised closely with the Task and Finish Group and Officers from the Local Authorities across the county who have all worked extremely hard to develop this Strategy and to give us what we feel is an ambitious but deliverable route map for the way forward.

We would ask that this Full Council formally adopts this Strategy so implementation on the ground can commence as soon as possible.

34. In a separate meeting on 25 September 2020, the Leaders and Chief Executives Group approved for the Strategy to be taken through the relevant governance meetings.

35. As a result, the Strategy is now being taken through each of the Somerset Councils' democratic pathways along the following timescales.

36. The intention is for the Somerset-wide Strategy to have been adopted by each of the Councils by the end of-November 2020.

	SW&T	**SDC**	**MDC**	**SSDC**	**SCC**
Scrutiny	14th Oct	16th Nov	19th Oct	3rd Nov	14th Oct
Executive / Cabinet	20th Oct	25th Nov	2nd Nov	5th Nov	9th Nov
Full Council	26th Oct	25th Nov	9th Nov	19th Nov	18th Nov

Conclusion

37. The Strategy has been produced jointly by the Somerset local authorities as a joint strategic response to each Council's Climate Emergency Declaration. It sets three strategic goals, provides the strategic context, evidence and exploration of issues associated with delivery against those goals and identifies the outcomes needed to work towards carbon neutrality as well as a strategic action plan.

38. The Strategy is recommended for adoption by the Council as a corporate strategy to guide project development and delivery and inform local policy, budget setting processes and as a means to engaging with our communities, businesses and partners on how we are working towards our carbon neutrality target.

39. The Council is already committed to working towards carbon neutrality for the Council and the county as a whole by 2030. How we get there and when carbon neutrality can actually be achieved by depends on the scale and pace of radical action. Members should be under no illusions that meeting the target of carbon neutrality by 2030 will be extremely difficult and we have to be cognisant that it relies heavily on action beyond our own control, but it is important that we do everything we can within our power to work towards achieving it.

40. We must be clear, that the 2030 target we committed to working towards through our Climate Emergency Declaration is not informed by detailed evidence of what can be achieved locally. Without significant changes in wider society and national Government regulation, policy, funding and action, (things beyond our immediate control) achieving this target will be near impossible.

41. At this stage, the carbon impact of delivering the actions contained within the Action Plan have not been fully quantified. This is a conscious decision to focus on implementation of the plan and delivery of the actions within it. This means that we cannot yet identify the specific pathway that all of the actions contained within the plan would result in. Despite this, we know that the actions being proposed are based on assessment of the issues, opportunities and what the Committee on Climate Change and others deem to be necessary to reach carbon neutrality, and we are frontloading delivery of these actions wherever possible so that we can do everything within our sphere of influence to push us towards the Paris-aligned trajectory and compliance with our cumulative CO2 budgets.

Financial Implications

42. High level assumptions of potential financial costs has been factored into preparation of the Action Plan, however more detailed work is required to understand specific costs of individual actions, and detailed costs are not yet known for every action that has been identified.

43. Whilst the delivery of every identified action would clearly have significant financial implications, the commitment to working towards carbon neutrality has already been made through the Climate Emergency Declaration. A range of actions have

been identified that will require funding to progress and each is to be considered on its own merit and with an appropriate business case.

44. Priority actions will be considered by the service planning and, where appropriate, the budget setting process over the coming months. Annual reviews of the Action Plan are intended to be aligned to budget setting processes. Discussions are ongoing regarding the future governance and funding arrangements for the actions to be delivered.

Legal implications and details of Statutory Powers

45. There are no direct detailed legal implications associated with the report or the Somerset-wide Strategy. Individual actions may have legal implications associated with their delivery, though at this stage it is not possible to identify exactly what these might be. Accordingly, these will need to be considered in more detail as projects are developed. The strategy and plan are not produced in pursuit of formal statutory requirements, therefore there are no mandatory regulatory or legislative legal requirements to comply with which apply to their production, scope or publication.

Council Plan Implications

46. Approval of the Climate Emergency Strategy will help the Council deliver the Council Plan Environment theme and associated areas of focus.

Carbon Emissions and Climate Change Implications

47. The Strategy is intended to directly lead to carbon reductions and improved resilience of our Council and communities to the projected impacts of climate change.

Equality and Diversity Implications

48. A single Equality Impact Assessment (EIA) has been produced to accompany the Action Plan. Officers with an overview of the Equalities function, who have experience of identifying impacts on those with protected characteristics have been consulted for this initial identification of potential impacts.

49. The assessment identifies at a high level where there is potential for negative, neutral and positive outcomes as a result of the actions identified depending on the detail of actions as projects develop. Generally, actions were expected to have broadly positive outcomes, but would require further assessment and wider external consultation in relation to specific delivery plans for some of the actions within the Action Plan where an individual or group would see or experience a direct physical change as a result of an action.

The EIA is attached at Appendix 1

South Somerset District Council

Privacy Impact Assessment

50. No privacy impacts are anticipated as consequence of this report.

Background Papers

51. For sight of individual background papers, including the detailed appendices, please go to: www.somerset.gov.uk/climate-emergency

Somerset Equality Impact Assessment

Before completing this EIA please ensure you have read the EIA guidance notes – available from your Equality Officer

Organisation prepared for	**Somerset County Council, Mendip District Council, Sedgemoor District Council, Somerset West and Taunton Council, South Somerset District Council**		
Version	**1.0**	**Date Completed**	**24th September 2020**
Description of what is being impact assessed			

Towards a Climate Resilient Somerset – Somerset's Climate Emergency Strategy Strategy and Draft Strategic Action Plan

The Action Plan describes, in high level terms, the activity that will take place, and the changes that will be delivered, as part of the Councils' response to addressing the Climate Emergency. Further detail regarding a number of these activities will be necessary in due course and will be contained within various project plans that will flow from this Action Plan, but which do not exist at this point in time.

This EIA therefore identifies in general terms the likely impact of this work on different groups of people taken in the round, rather than on an action-by-action basis (although some of the actions will be referenced where appropriate). If necessary, depending upon the type of action proposed (specifically where an individual or group would see or experience a direct physical change as a result of an action with the Action Plan), specific EIAs will be necessary in order to help shape the relevant delivery plan for that action.

It also needs to be recognised that not all people sharing a protected characteristic within the county will necessarily experience the same impact (be it positive or negative) from a particular action.

Evidence
What data/information have you used to assess how this policy/service might impact on protected groups? Sources such as the Office of National Statistics, Somerset Intelligence Partnership, Somerset's Joint Strategic Needs Analysis (JSNA), Staff and/ or area profiles,, should be detailed here
The Somerset Climate Emergency Strategy and associated appendices including the strategic action plan has been reviewed. As explained below, a review of data as well of wider consultation will be necessary at a later point when it comes to detailed design of actions that will have a direct impact on individuals and groups with protected characteristics.
Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?
Officers within Somerset County Council with and overview of the Equalities function, who have experience of identifying impacts on those with protected characteristics have been consulted for this initial identification of potential impacts. Wider external consultation will be necessary in relation to delivery plans of some of the actions within the Action Plan where an individual or group would see or experience a direct change as a result of an action

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	The factors that make people vulnerable to the impacts of climate change are most acute amongst particular groups; older people are one of these categories. Older people are physiologically at most risk of health impacts from extreme heat and cold. This Strategy and associated action plans aims to help mitigate the effect and risk of climate change on older people with this protected group and should be seen as delivering, over time, a positive impact.			X
	Those potentially most likely to gain from actions around improving energy efficiency within the home are people who traditionally suffer from fuel poverty, which includes a significant proportion of older people.			X
	Recouping any personal investment required in the form of energy bill savings is likely to be over the medium/long-term and, therefore, may be of disproportionately less benefit to older people.	X		
	Particular care and attention should however be given to mitigate or eliminate any potential negative impacts for the group relating to the focus on active travel within the plan (e.g walking and cycling). Important to encouraging walking amongst older people in particular to ensure			X

	mental and physical health and wellbeing, is the provision of facilities such as toilets and benches. Installation of such amenities within the pedestrian environment should be a consideration if walking is to be maximised amongst all equality groups. Climate Change and action to address climate issues are seen to be of particular interest to younger people and enabling the young people to be engaged in initiatives and observe that direct action is being will be a positive outcome for this age group			X
Disability	The factors that make people vulnerable to the impacts of climate change are most acute amongst particular groups; people with disabilities are one of these categories. People with certain disabilities (particularly circulatory and respiratory conditions) are physiologically at most risk of health impacts from extreme heat and cold. The Strategy and associated action plans aim to help mitigate the effect and risk of climate change so should be seen as delivering, over time, a positive impact. Air pollutants can worsen respiratory conditions such as asthma. The actions of this Strategy will, over time, help improve air quality within the county and should therefore, have a particularly positive impact for those with such conditions. Additionally, those potentially most likely to gain from actions around improving energy efficiency within the home are people who traditionally suffer from fuel poverty, notably older and disabled groups. However, depending on grants available, the affordability to invest in energy efficiency improvement schemes could disproportionately affect those with lower disposable incomes which data tells us could include disabled people.	X		X X X

	Particular care and attention should be given to mitigate or eliminate any potential negative impacts for the group relating to the focus on active travel. As with older people, it is important to encourage walking amongst people with disabilities, is the provision of facilities such as toilets, benches and flat and ramped routes for wheelchair users. Installation of such amenities within the pedestrian environment should be a consideration if walking is to be maximised amongst all equality groups. Encouragement of electric modes of transport such as e-bikes and e-scooters have posed particular risks to people with visual impairment in other areas. Particularly short-term rentals of e-scooters. Their speed and almost silent operation are an issue as is inconsiderate parking, where there have been numerous examples of them being left on pavements, creating a significant trip hazard for the visually impaired. Separation of pedestrians and e-scooter and bike riders within any pedestrianised space will help mitigate this risk together with dedicated parking bays / racks for these modes of transport. The involvement of people with disabilities in designing schemes could help in mitigating the risks involved Careful consideration to people with language disabilities should be made when designing and implementing community communications campaigns with regard to promoting climate action initiatives	X X		X
Gender reassignment	Mitigating the impacts of climate change should be seen as delivering, over time, a positive impact for everyone, including people within this group. No additional impacts, from the proposed Strategy and associated action plans have been identified that would disproportionately affect this group.			X

Marriage and civil partnership	Mitigating the impacts of climate change should be seen as delivering, over time, a positive impact for everyone, including people within this group. No additional impacts, from the proposed Strategy and associated action plans, have been identified that would disproportionately affect this group.			X
Pregnancy and maternity	Air pollutants can cause respiratory illness in pregnant women and also lead to low birth weight or pre-term birth. This proposal will, over time, help improve local air quality and should have a positive impact on some pregnant women. More pedestrian and other active travel routes will positively impact pre and post-natal women No additional impacts, from the proposed Strategy and associated action plans have been identified that would disproportionately affect this group.			X X X
Race and ethnicity	Mitigating the impacts of climate change should be seen as delivering, over time, a positive impact for everyone, including people within this group. No additional impacts, from the proposed Strategy and associated action plans have been identified that would disproportionately affect this group.			X
Religion or belief	Mitigating the impacts of climate change should be seen as delivering, over time, a positive impact for everyone, including people within this group. No additional impacts, from the proposed Strategy and associated action plans have been identified that would disproportionately affect this group.			X

Sex	Mitigating the impacts of climate change should be seen as delivering, over time, a positive impact for everyone, including people within this group. No additional impacts, from the proposed Strategy and associated action plans have been identified that would disproportionately affect this group.			X
Sexual orientation	Mitigating the impacts of climate change should be seen as delivering, over time, a positive impact for everyone, including people within this group. No additional impacts, from the proposed Strategy and associated action plans have been identified that would disproportionately affect this group.			X
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	<u>Low Income</u> - Mitigating the impacts of climate change should be seen as delivering, over time, a positive impact for everyone, including people within this group Individuals and households on low incomes may be particularly vulnerable to the impacts of climate change during prolonged periods of hot or cold weather in particular; due to their inability to afford fuel for adequately heating or cooling their homes. This Strategy and associated action plans aims to help mitigate the effect and risk of climate change so should be seen as delivering, over time, a positive impact. In particular the action around improving energy efficiency within the home will be particularly positive to low income households that experience fuel poverty. However, this group may, by definition, be least likely to be able to afford to pay for energy efficiency initiatives within their homes, therefore without government support and may miss out on the opportunity, thereby being disadvantaged. <u>Carers</u> - Mitigating the impacts of climate change should be seen as delivering, over time, a positive impact for everyone, including people within this group.	 X 		X X X

	However, the possible negative impacts identified within the Disability group are also likely to apply to this group. Rural Isolation - Mitigating the impacts of climate change should be seen as delivering, over time, a positive impact for everyone, including people within this group. The positive impacts will include greater access to public transport, better rural broadband connectivity and access to alternative energy sources. No negative impacts, from the proposed Strategy and associated action plans, have been identified that would disproportionately affect this group.	X		X

Negative outcomes action plan
Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	**Date**	**Person responsible**	**How will it be monitored?**	**Action complete**
Age - Recouping any personal investment required for energy savings initiatives. Lobby for and promote government schemes and grants	31/12/2021	Energy and Built Environment workstreams	Lobbying of central government and promotion of schemes	☐
Disabilities – Affordability of energy savings initiatives Lobby for and promote government schemes and grants	31/12/2021	Energy and Built Environment workstreams	Lobbying of central government and promotion of schemes	☐
Disabilities – The unintended consequences of promotion of use of e-bikes, e-scooters etc	31/12/2021	Transport and Energy Workstreams	Involvement of people with disabilities in the design and	☐

Involve disabled groups in the design and development of schemes			development of schemes	
Low Income - Affordability of energy savings initiatives Lobby for and promote government schemes and grants	31/12/2021	Energy and Built Environment workstreams	Lobbying of central government and promotion of schemes	☐
Carers – As disabilities, above	31/12/2021	Transport, Energy and Communications workstreams	Involvement of people with disabilities and carers in designing of schemes and tools	☐
If negative impacts remain, please provide an explanation below.				

Completed by:	**Jon Doyle**
Date	**24th September 2020**
Signed off by:	**Jon Doyle**
Date	**24th September 2020**
Equality Lead/Manager sign off date:	**5th October 2020**
To be reviewed by: (officer name)	**Mark Fortune**
Review date:	**1st January 2021**

South Somerset District Council

2020/21 Treasury Management Mid-Year Performance Report and Strategy Update

Executive Portfolio Holder:	Peter Seib, Finance and Legal Services
Director:	Nicola Hix, Support Services
Section 151 Officer:	Jo Nacey, Section 151 Officer
Lead Officer:	Paul Matravers, Finance Specialist
Contact Details:	Paul.matravers@southsomerset.gov.uk or 01935 462275

Purpose of the Report

1. To present the Council's 2020/21 mid-year treasury performance report and seek support of Members for updates to the Treasury Management Strategy for the remainder of the financial year.

Forward Plan

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 22nd October 2020.

Public Interest

3. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services Code of Practice requires the Council to approve an annual Treasury Management Strategy and, report treasury performance mid-year and at the year end.

Recommendations

4. The Audit Committee recommends that Council note the actual and forecast treasury performance and approve the updated Treasury Management Strategy Statement and Investment Strategy for 2020/21.

Background

5. The report provides information on the performance of the Council's Treasury Investments for the first six months of the 2020/21 financial year. The performance of the Council's Commercial Investments which are part of the Commercial Strategy is reported separately through 6-monthly update reports therefore that detail is not included in this report. On this basis it is worth noting that whilst the treasury income and cost implications of commercial investment acquisitions are included within this report, the investment property income is not.

Treasury Management Mid-Year Review

6. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Treasury Management Strategy.

7. In line with the requirements of the 2017 Prudential Code, Council approved the Capital, Investment and Treasury Strategy in February 2020. These are intrinsically linked so, whilst in the past these have been presented to Members as separate reports, they were pulled together into a consolidated document this year.

8. CIPFA has defined Treasury Management as: “the management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

9. The Council has delegated responsibility for the oversight and monitoring of its treasury management policies and practices to Audit Committee, and for the execution and administration of treasury management decisions to the S151 Officer who will act in accordance with the organisation’s policy statement and Treasury Management Practices (TMPs), and CIPFA’s standard of Professional Practice on Treasury Management.

10. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Specific risks are identified in the Council’s approved Treasury Management Practices. The risks include:

- Liquidity Risk (Adequate cash resources)
- Interest Rate Risk (Fluctuations in the value of investments and borrowing).
- Inflation Risks (Exposure to inflation)
- Fraud, Error and Corruption, and Contingency Management (Exposure to loss through fraud, error or other eventualities)
- Refinancing Risks (Impact of debt maturing in future years).
- Legal & Regulatory Risk (Compliance with statutory and regulatory requirements).

11. The Local Government Act 2003 requires the Council to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

12. When the strategy for 2020/21 was written it took into account the Council’s current treasury position and drew upon the forecasts for interest rates provided by the Council’s treasury advisors, Arlingclose, leading to the proposed Prudential Indicators included. This has been updated with the most recent forecast as at September 2020.

13. The updated Treasury Management Strategy is attached at Appendix 1.

14. The remainder of the report provides information on:

- Regulatory updates
- Treasury Management Position
- Current Borrowing
- Treasury Investment Activity
- Pooled Fund Investments
- Non Treasury Investments

Treasury Management Position - Summary

15. The treasury management position as at 30th September 2020 and the change during the year is shown in the Table 1.

Table 1: Treasury Management Position - Summary

	31/3/20 Balance £m	Net Movement £m	30/9/20 Balance £m
Long-term borrowing	0.00	0.00	0.00
Short-term borrowing	-79.50	14.00	-65.50
Total borrowing	**-79.50**	**14.00**	**-65.50**
Long-term investments	2.00	-1.00	1.00
Short-term investments	8.00	-6.00	2.00
Cash and cash equivalents	22.43	2.14	24.57
Total investments	**32.43**	**-4.86**	**27.57**
Net Position	**-47.07**	**9.14**	**-37.93**

16. External borrowing has decreased during the first six months of the year due to a significant element of the loan portfolio maturing in this period. Cashflow has meant that not all of the matured borrowing needed replacing. In addition, during the period there has been no investment property acquisitions as part of the Commercial Strategy. These acquisitions are financed by external borrowing. In line with treasury advice, the Council continues to utilise short term borrowing, which is flexible and keeps our borrowing costs low.

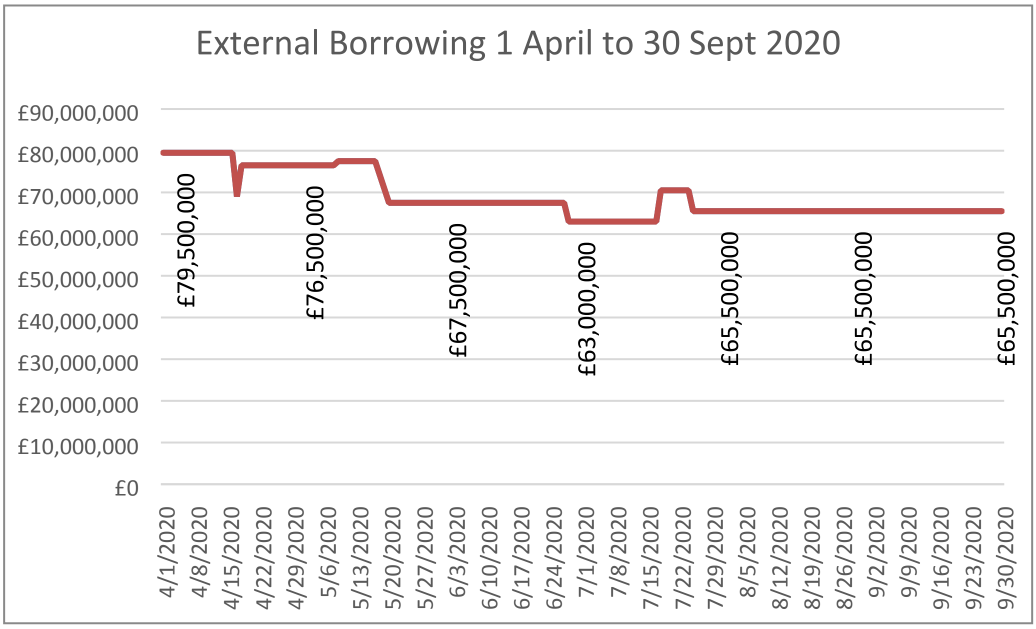
17. The Council has agreed £26m of borrowing with forward start dates taking the total value of external borrowing, either in place or committed, to £91.5m. £16m of this amount is due to start in late October and the remaining £10m has a start date of mid-March 2021. Forward starting borrowing removes an element of the interest rate risk that is associated with an investment or debt portfolio.

18. The projected value of long term borrowing as at 31 March 2021 was reported to Audit Committee in February 2020 in the Annual Treasury Management Strategy report. The external borrowing requirement at the end of the 2020/21 financial year was anticipated to be £112m, therefore the total borrowing to date is in line with the projections previously reported and continue to remain valid.

19. The amount of external borrowing will be dependent on the commercial property purchases that are made in the remaining part of the financial year which may mean the borrowing may be more or less than estimated at year end. In addition, it may be advantageous to continue to meet the financing requirement using short term rather than long term borrowing, however this is kept under review to strike the appropriate balance between costs and cost certainty.

External Borrowing

20. The graph shows the movement in the external borrowing position for 2020/21. It provides the amount of external borrowing on the first day of each month for the April to September period and the value of borrowing at 30 September 2020 (£65.5m).



21. Table 2 summarises the external borrowing position for 2020/21. It includes the opening position in respect of external loans, loans repaid, new loans, the average interest rate and the position as at 30th September.

Table 2: External Borrowing Summary

	Amount	Average Interest rate
External loans as at 1 April 2020	**79,500,000**	0.86%
New Loans	48,000,000	0.85%
Loans Repaid	-62,000,000	
Total External loans as at 30 Sept 20	**65,500,000**	1.44%
Forward starting Loans	26,000,000	0.24%
Total Loans	**91,500,000**	**1.04%**

South Somerset District Council

22. The total value of external borrowing repaid in the first six months of 2019/20 was £62m, which included £52.5m of short-term borrowing undertaken in the previous financial year. See table 3 for details.

Table 3: Loans repaid - 2019/20 borrowing

Lender	**Date Borrowed**	**Maturity Date**	**No of Days**	**Interest Rate**	**Amount £**
Hampshire County Council	18/04/2019	17/04/2020	365	1.01%	5,000,000
South Yorkshire Pensions Authority	20/11/2019	20/05/2020	182	0.85%	5,000,000
Comhairle Nan Eilean Siar	20/11/2019	20/05/2020	182	0.85%	5,000,000
Staffordshire County Council	17/01/2020	17/04/2020	91	0.80%	5,000,000
Essex County Council	20/01/2020	17/04/2020	88	0.76%	10,000,000
East London Waste Authority	20/01/2020	20/04/2020	91	0.79%	3,000,000
City of Lincoln Council	20/01/2020	20/04/2020	91	0.78%	1,000,000
Tyne & Wear Pension Fund	20/01/2020	20/04/2020	91	0.79%	3,000,000
Dudley Metropolitan Borough Council	18/02/2020	27/04/2020	69	0.82%	5,000,000
Waverley Borough Council	19/02/2020	17/04/2020	58	0.85%	5,000,000
Lancaster City Council	18/03/2020	20/04/2020	33	1.05%	4,000,000
Gosport Borough Council	20/03/2020	20/04/2020	31	1.40%	1,500,000
				Total	**52,500,000**

23. The balance of £9.5m is in respect of the repayment of new borrowing taken for short durations between 1 April and 30 September 2020, the detail of the loans is included in the Table 4.

Table 4: Loans repaid - 2019/20 borrowing

Lender	**Date Borrowed**	**Maturity Date**	**No of Days**	**Interest Rate**	**Amount £**
Hertfordshire County Council Pension Fund	17/04/2020	30/06/2020	12	1.85%	4,500,000
Northern Ireland Housing Executive	27/04/2020	27/07/2020	10	0.80%	5,000,000
				Total	**9,500,000**

24. The total value of new borrowing for the first six months of 2020/21 was £48m. £9.5m of the loans taken were repaid in the period, details of the loans are in included in Table 5.

Table 5: 2019/20 new borrowing - Loans repaid

Lender	**Date Borrowed**	**Maturity Date**	**No of Days**	**Interest Rate**	**Amount £**
Cornwall Council	17/04/2020	16/04/2021	364	1.75%	10,000,000
Hertfordshire County Council Pension Fund	17/04/2020	30/06/2020	74	1.85%	4,500,000
Wychavon District Council	20/04/2020	19/04/2021	364	1.75%	5,000,000
Derbyshire County Council	20/04/2020	20/10/2020	183	1.85%	10,000,000
Shropshire Council	20/04/2020	20/10/2020	183	0.85%	5,000,000
Northern Ireland Housing Executive	27/04/2020	27/07/2020	91	0.80%	5,000,000
Ryedale District Council	11/05/2020	10/05/2021	364	1.75%	1,000,000
Vale of Glamorgan Council	20/07/2020	19/01/2021	183	0.35%	2,500,000
PCC for West Yorkshire	20/07/2020	01/02/2021	196	0.36%	5,000,000
				Total	**48,000,000**

25. The balance of £65.5m is the value of external borrowing as at 30 September 2020, the detail of the loans are included in Table 6. The table shows that we have prioritised the inter-authority lending market, with the short-term loan interest rates ranging from 0.35% to 1.75%.

Table 6: External borrowing as at 30 September 2020

Lender	**Date Borrowed**	**Maturity Date**	**No of Days**	**Interest Rate**	**Amount £**
North Yorkshire County Council	20/03/2020	19/03/2021	364	1.75%	5,000,000
Tendring District Council	20/03/2020	19/03/2021	364	1.75%	1,000,000
Greater London Authority	20/03/2020	19/03/2021	364	1.75%	6,000,000
Milton Keynes Council	27/03/2020	26/03/2021	364	1.60%	5,000,000
Greater London Authority	30/03/2020	29/03/2021	364	1.75%	10,000,000
Cornwall Council	17/04/2020	16/04/2021	364	1.75%	10,000,000
Wychavon District Council	20/04/2020	19/04/2021	364	1.75%	5,000,000
Derbyshire County Council	20/04/2020	20/10/2020	183	1.85%	10,000,000
Shropshire Council	20/04/2020	20/10/2020	183	0.85%	5,000,000
Ryedale District Council	11/05/2020	10/05/2021	364	1.75%	1,000,000
Vale of Glamorgan Council	20/07/2020	19/01/2021	183	0.35%	2,500,000
PCC for West Yorkshire	20/07/2020	01/02/2021	196	0.36%	5,000,000
				Total	**65,500,000**

26. Details of the forward starting loans are included in Table 7 for information.

Table 7: Forward starting loans as at 30 September 2020

Lender	Date Borrowed	Maturity Date	No of Days	Interest Rate	Amount £
Great Yarmouth Borough Council	20/10/2020	20/07/2021	306	0.2000	2,000,000
Runnymede Borough Council	20/10/2020	20/08/2021	273	0.2300	3,000,000
Mid Devon District Council	20/10/2020	20/07/2021	304	0.2000	3,000,000
Police & Crime Commissioner for Gloucestershire	20/10/2020	20/04/2021	273	0.1500	3,000,000
Northern Ireland Housing Executive	20/10/2020	20/07/2021	182	0.2000	5,000,000
Great Yarmouth Borough Council	20/10/2020	20/07/2021	306	0.2000	2,000,000
London Borough of Wandsworth	19/03/2021	19/01/2022	306	0.4500	10,000,000
				Total	**28,000,000**

27. The above information in Tables 2-7 show that the current strategy of utilising short-term inter-authority lending for the Council's treasury borrowing requirement means interest rates and costs are relatively low. The exception to this is a period in March 2020 when borrowing was expensive as the demand for cash was high due to an anticipated shortage of cash available in the market. The anticipated lack of cash in the market was due to the expected income shortfall in respect of Council Tax and Non Domestic Rates meaning that a premium was being paid for borrowing for this period.

28. The tables demonstrate that rates have significantly reduced in the April to September period and short term borrowing for a 6 month period can now be sourced in the region of 0.20% - 0.30%. Borrowing for short periods takes advantage of the low rates on offer, and accepts an element of interest rate risk at the point of re-financing. The S151 Officer and treasury staff will continue to keep this under review, and will consider utilising long term borrowing in future to minimise interest risk and provide cost certainty.

Treasury Investment Activity

29. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the first six months of the financial year the Council's investment balance has ranged between £29 million and £86 million.

30. The investment balance of £86 million was on 3 April 2020, the reason for the unusually high investment balance was due to MHCLG providing the £41m to the Council in respect of the Business Support Grants. The funds were invested in the Council's Money Market Funds, ensuring instant access to the funds and the Debt Management Office for short periods.

31. The balance on the business grants as at 30 September 2020 was £2.3m, meaning 94% of the business grant funding has been distributed to local businesses.

South Somerset District Council

Breakdown of investments as at 30 September 2020

Table 8: Investments as at 30 September 2020

Date Invested	Counterparty	Nominal Amount £	Interest Rate	Maturity Date
11/11/16	Northumberland County Council	1,000,000	1.00%	11/11/20
	Corporate Bonds			
20/10/16	Santander UK Plc *Covered*	1,000,000	1.04%	14/04/21
10/11/16	National Australia Bank *Covered*	1,000,000	1.10%	10/11/21
	Money Market Funds & Business Reserve Accounts			
Various	Santander Business Reserve	3,000,000		
Various	Aberdeen (previously Standard Life)	360,000	0.75%	Not fixed
	Total Internal Investments	**6,360,000**	**0.95%**	
	Property & Pooled Funds			
Various	Royal London Cash Plus Fund	1,000,000	1.41%	Not fixed
Various	CCLA Property Fund	6,000,000	5.52%	Not fixed
Various	Ninety One Diversified Income Fund (formerly Investec)	5,000,000	4.07%	Not fixed
Various	Schroder Income Maximiser Fund	6,250,000	5.20%	Not fixed
Various	Colombia Threadneedle Equity Income Fund	5,000,000	2.48%	Not fixed
Various	Fidelity	250,000	-	Not fixed
	Total External Investments	**23,500,000**	**3.60%**	
	Total Investments	**29,860,000**	**3.58%**	

Note: Money Market Funds are instant access accounts so the rate displayed is a daily rate

***Covered Bond:** Debt securities issued by a bank or mortgage institution and are backed by a separate group of assets; in the event of failure of the issuer, the bond is covered. Covered bonds are subject to specific legislation to protect bond holders.

32. The Council has increased its strategic fund investments to £23.5m (£0.25m increase) and it is estimated that the level of strategic investments as at 31 March 2021 will remain in the region of £24m. The long term strategy is to invest up to £30m in strategic investments if cashflow permits.

Pooled Fund Investment - Values

33. The Council's pooled fund investments are held in externally managed funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. This fits with the objectives of the Council's overall Financial Strategy.

34. In a relatively short period since the onset of the COVID-19 pandemic in March and the ensuing enforced lockdown in many jurisdictions, the global economic fallout has been sharp and considerable. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, business and individuals.

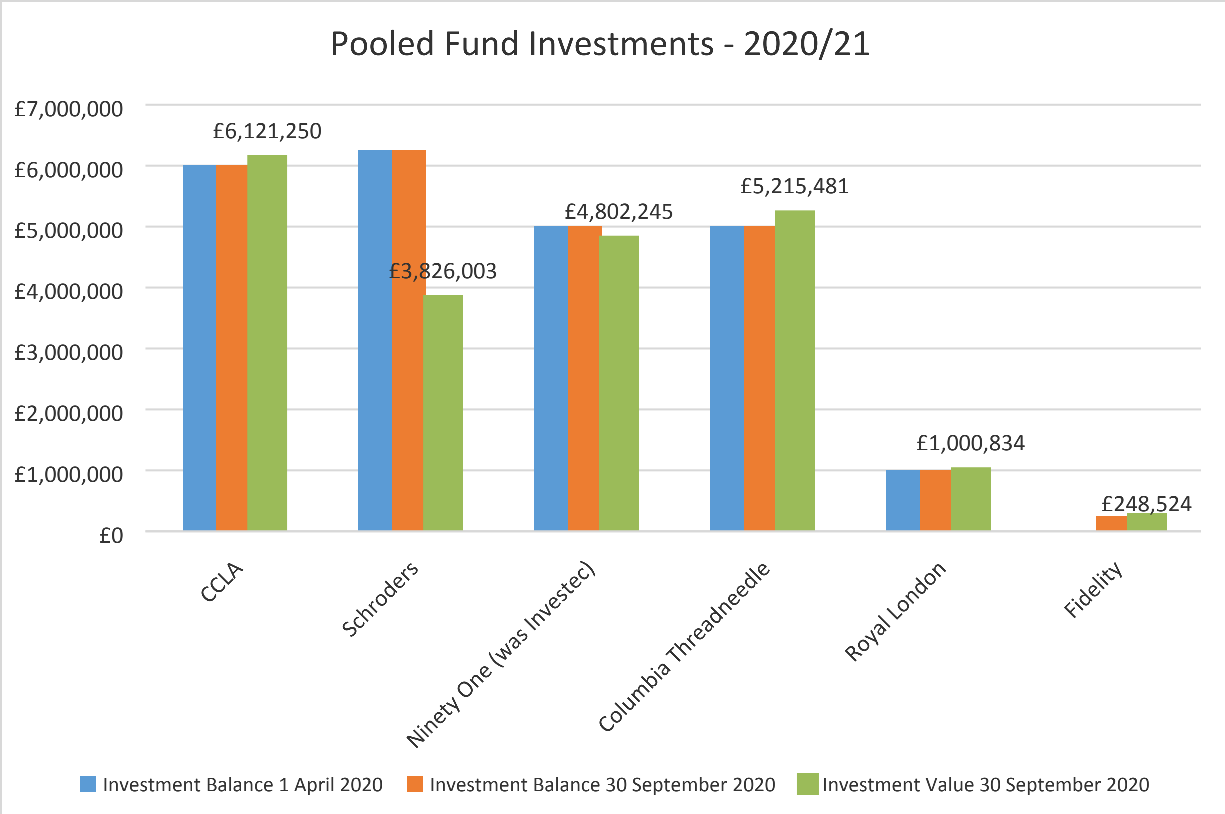
35. The Council has investments in bond, equity, multi-asset and property funds. The fall in the capital values of the underlying assets, in particular bonds and equities were reflected in the 31st March 2020 fund valuations with most funds registering negative capital returns over a 12-month period. Since March there here has been some improvement in market sentiment which is reflected in an increase in capital values of the short-dated, strategic bond, equity income and multi-asset income funds in the Council's portfolio. The capital value of the property fund is below that at 31st March. Market values at 1st April and 30th September 2020 are as shown in Table 9, below.

36. Similar to many other property funds, dealing (i.e. buying or selling units) in the CCLA Local Authorities Property Fund was suspended by the fund in March 2020. The relative infrequency of property transactions in March as the pandemic intensified meant that it was not possible for valuers to be confident that their valuations correctly reflected prevailing conditions.

37. To avoid material risk of disadvantage to buyers, sellers and holders of units in the property fund, the management company was obliged to suspend transactions until the required level of certainty is re-established. The dealing suspension was lifted in September 2020. There has also been a change to redemption terms for the CCLA Local Authorities Property Fund; from September 2020 investors will be required to give at least 90 calendar days' notice for redemptions.

38. In 2020/21 the Council expects to receive lower income from its cash and short-dated money market investments and from its externally managed funds than it did in 2019/20 and earlier years. Dividends and income paid will ultimately depend on many factors including but not limited to the duration of COVID-19 and the extent of its economic impact, the fund's sectoral asset allocation, securities held/bought/sold and, in the case of equities, the enforced or voluntary dividend cuts or deferral.

39. The investment balance as at 30 September 2020 and the value of each investment as at 1 April and 30 September is detailed in the chart below.



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

40. Table 9 below includes the opening and closing investment balances for each pooled fund investment. The investment fair value signifies the individual value of the investments after the year-end and mid-year valuation. The table shows that the 'fair value' of the portfolio has increased by £494k (excludes Fidelity) which is an increase of 2.41% between 1 April and 30 September, reflecting volatility in market value. The strategy works on the basis that investment values will go up and down but annual income return remains positive, and the Council would not plan to redeem the investment when its value is below the nominal balance unless this would be a prudent course of action.

Table 9: Pooled Fund Investments as at 30 September 2020

Investment	**Investment Balance 30/09/2020 £**	**Investment Value 01/04/2020 £**	**Investment Value 30/09/2020 £**
CCLA	6,000,000	6,386,905	6,121,250
Schroders	6,250,000	3,809,476	3,826,003
Investec	5,000,000	4,513,261	4,802,245
Colombia Threadneedle	5,000,000	4,772,497	5,215,481
Royal London	1,000,000	989,288	1,000,834
Fidelity	£250,000	£0	248,524
Total	**23,500,000**	**20,471,427**	**21,214,337**

South Somerset District Council

Pooled Fund Investment – Income Return

41. The income generated from pooled fund investments for the first six months of 2020/21 and the rate of return is detailed in the following graph and Table 10. This demonstrates that the investment in the Schroder Income Maximiser and CCLA Funds have performed well in terms of income and rate of return on investment.

42. In addition, the investment value of the majority of the funds has increased in the period. This increase has been in the latter months as the investment values of the funds has marginally increased in the period. Overall the return on pooled funds has positively averaged over 4% during the first six months of the financial year.

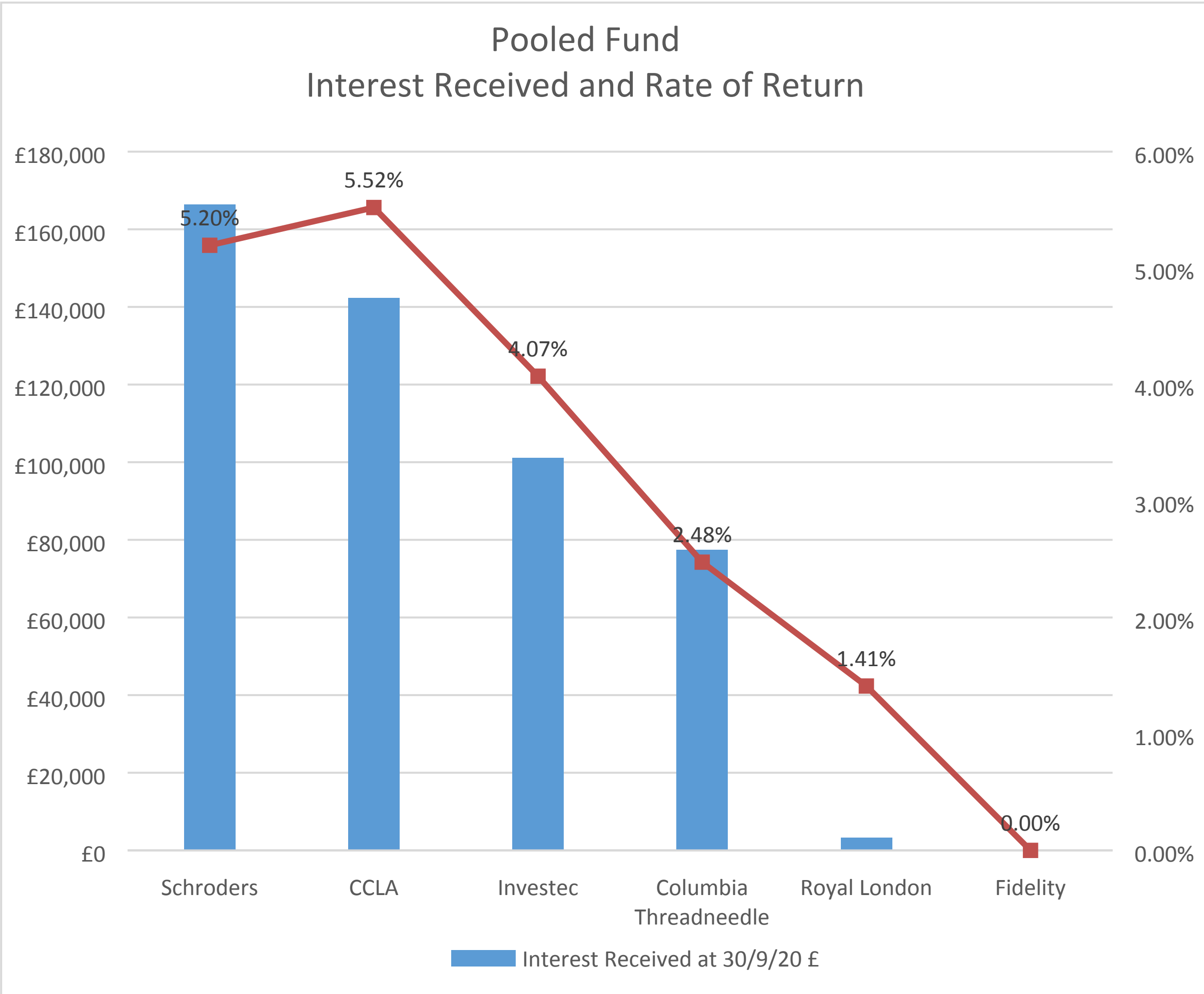


Table 10: Pooled Fund Investment Interest

Fund	Interest Received £	Rate of return %
Schroders	166,380	5.20%
CCLA	142,304	5.52%
Investec	101,187	4.07%
Columbia Threadneedle	77,384	2.48%
Royal London	3,224	1.41%
Fidelity	£0	0.00%
Total	**490,479**	**4.21%**

Non-Treasury Investments

43. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

44. In addition to its treasury investments, the Council also held £17.50m in other investments in the form of loans. The largest element of these loans represents the Council's loan invested as part of its commercial investment property portfolio.

- Loan to Community Organisation - £0.15m
- Loan to Trading Company - £0.13m
- Loan to Local Authority Partnership - £4.90m
- Loan for Commercial Activities - £12.32m

45. The detail of the Council's total investment in commercial investment property is reported separately. As part of its Commercial Strategy, investment in property has increased significantly in the past two years, and this will continue to grow over the next 2-3 years. The value of investment properties held on the balance sheet as at 31 March 2020 (including some properties held for a substantial period of time) was £71.97m. This has increased by £0.23m during this year, to £72.20m as at 30 September 2020 (not including the loan shown in the previous paragraph).

Financial Implications

46. There are no additional financial implications in reviewing the attached Treasury Management Strategy.

Council Plan Implications

47. The performance of the Council's investment portfolio and the associated investment and borrowing strategies are closely linked to the Council Plan. The funds invested and those that are externally borrowed exposes the Council to

financial risks. The approved strategies ensure the risks are identified, monitored and controlled therefore ensuring the investments are secure whilst maximising the return on investments.

48. The return on investments, and ensuring borrowing costs are minimised, is a key element of the Medium Term Financial Plan which is aligned to the Council Plan and contributes to enabling the delivery of the Council's priorities for the local community.

Carbon Emissions and Climate Change Implications

49. There are no implications in approving this report.

Equality and Diversity Implications

50. There are no implications in approving this report.

Privacy Impact Assessment

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

Background Papers

52. Treasury Management Strategy 2020/21 (Full Council February 2020)

Appendix 1

Treasury Management Strategy Statement 2020/21 (Updated October 2020)

Introduction

The Chartered Institute of Public Finance and Accountancy (CIPFA) *Treasury Management in the Public Services: Code of Practice* (the Treasury Code) requires the Council to approve a treasury management strategy before the start of each financial year, and review it mid-year.

In addition, the Ministry of Housing, Communities and Local Government (MHCLG) revised guidance on Local Authority Investments and Minimum Revenue Provision (MRP) in February 2020. The guidance requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the MHCLG Guidance.

The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

Revised strategy: In accordance with the MHCLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Council's capital programme or in the level of its investment balance.

External Context

Economic background: Coronavirus continued to dominate the news flow during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines towards the end of the period as agreement between the UK and EU on a trade deal was looking difficult and the government came under fire, both at home and abroad, as it tried to pass the Internal Market Bill which could override the agreed Brexit deal, potentially breaking international law.

The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates continued to not be ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes took financial markets by surprise highlighting the central bank was having a harder look at its potential impact than was previously suggested.

Government initiatives continued to support the economy throughout the period, with the furlough (Coronavirus Job Retention) scheme keeping almost 10 million workers in jobs and 100 million discounted meals being claimed during the ‘Eat Out to Help Out’ (EOHO) offer.

GDP growth contracted by a massive 20.4% in Q2 2020 (Apr-Jun) according to the Office for National Statistics, pushing the annual growth rate down to -21.7%. Construction output fell by 35% over the quarter, services output by almost 20% and production by 17%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost 7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.

The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year/year in August, further below the Bank of England’s 2% target, with the largest downward contribution coming from restaurants and hotels influenced by the EOHO scheme. The Office for National Statistics’ preferred measure of CPIH which includes owner-occupied housing was 0.5% y/y.

In the three months to July, labour market data showed the unemployment rate increased from 3.9% to 4.1% while wages fell 1% for total pay in nominal terms (0.2% regular pay) and was down 1.8% in real terms (-0.7% regular pay). Despite only a modest rise in unemployment over the period, the rate is expected to pick up sharply in the coming months as the furlough scheme ends in October. On the back of this, the BoE has forecast unemployment could hit a peak of between 8 and 9%.

The US economy contracted at an annualised rate of 31.7% in Q2 2020 (Apr-Jun). The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% but announced a change its inflation targeting regime. The move is to a more flexible form of average targeting which will allow the central bank to maintain interest rates at low levels for an extended period to support the economy even when inflation is ‘moderately’ above the 2% average target, particularly given it has been below target for most of the last decade.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5%.

Financial markets: Equity markets continued their recovery, with the Dow Jones climbing to not far off its pre-crisis peak, albeit that performance being driven by a handful of technology stocks including Apple and Microsoft, with the former up 75% in 2020. The FTSE 100 and 250 have made up around half of their pre-crisis losses. Central bank and government stimulus packages continue to support asset prices, but volatility remains.

Ultra-low interest rates and the flight to quality continued, keeping gilts yields low over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield fell to -0.18% on 18th September. The 10-year yield was 0.17% at the start and end of the same period (with much volatility in between, peaking at 0.34% towards the end of August), while the 20-year rose from 0.56% to 0.69%. 1-month, 3-month and 12-month bid rates averaged 0.02%, 0.06% and 0.25% respectively over the quarter.

Over the same period, the yield on 2-year US treasuries slipped from 0.15% to 0.13% while the yield on 10-year treasuries rose slightly from 0.66% to 0.69%. German bund yields remain negative across most maturities.

Credit review: Credit default swap spreads continued to ease over the period to slightly above their pre-crisis levels. In the UK, the spreads between ringfenced and non-ringfenced entities remains, except for retail bank Santander UK whose CDS spread remains elevated. NatWest Markets Plc (non-ringfenced) remains the highest at 74bps while Standard Chartered the lowest at 42bps. The ringfenced banks are currently trading between 42 and 49bps.

After a busy second quarter of the calendar year, the subsequent period has been relatively quiet for credit changes for the names on our counterparty list. Fitch assigned a AA- deposit rating to Netherlands lender Rabobank with a negative outlook and prior to that, while not related to our counterparty list but quite significant, revised the outlook on the US economy to Negative from Stable while also affirming its AAA rating.

There continues to remain much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic and for the UK institutions on our list there is the added complication of Brexit and what a trade deal may or may not look like. The institutions on Arlingclose's counterparty list and recommended duration remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

<u>Outlook for the remainder of 2020/21</u>

The medium-term global economic outlook is exceedingly weak. While containment measures taken by national governments in response to coronavirus (COVID-19) have been eased, it is likely to be some time before demand recovers to pre-crisis levels due increased unemployment, the on-going need for virus control measures and the impact on consumer/business confidence.

The global central bank and government responses have been significant and will act to support the recovery when it occurs, by keeping financial conditions stable and many businesses solvent/employees employed than would otherwise have been the case. The economic bounce in the second half of the year could be significant, as businesses currently dormant begin production/supply services once more.

However, the scale of the economic shock to demand, on-going social distancing measures, regional lock downs and government guidance to restrict and control a resurgence of the virus will mean that the subsequent pace of recovery will be patchy and limited.

Arlingclose expects Bank Rate to remain at the current 0.10% level and additional monetary loosening in the near future through further financial asset purchases (QE). While Arlingclose's central case for Bank Rate is no change from the current level of 0.1%, further cuts to Bank Rate to zero or even into negative territory cannot be ruled out.

Downside risks remain in the near term, as households and businesses react to an unprecedented set of economic circumstances and the risk of a second wave and Brexit looms closer.

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

Local Context

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

Table 1: Balance sheet summary and forecast

	31/3/20 Actual £'000	31/3/21 Estimate £'000	31/3/22 Forecast £'000	31/3/23 Forecast £'000
Capital Financing Requirement (CFR)	95,582	143,179	193,146	209,536
Usable Capital Receipts	(8,702)	(9,223)	(3,204)	(2,039)
Balances & Reserves	(47,199)	(44,200)	(43,900)	(43,850)
Borrowing	(79,500)	(126,600)	(167,800)	(195,500)
Net Balance Sheet Position **	**(39,819)**	**(36,844)**	**(21,758)**	**(31,853)**

***excluding working capital.*

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 investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council currently has external borrowing of £65.5m (30/09/2020) and has an increasing CFR due to the capital programme. It is anticipated that the borrowing requirement could rise to between £150m - £210m over the forecast period, reflecting the investment in commercial properties and town centre regeneration programmes. The financing approach agreed in the governance for the regeneration programmes is quite elastic meaning the CFR will be determined by supported business cases, the timing of spend, and the ability to raise capital resources through assets sales and external funding.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2020/21.

Borrowing Update

On 9th October 2019 the PWLB raised the cost of certainty rate borrowing to 1.8% above UK gilt yields making it relatively expensive. Market alternatives are available, however the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new Housing Revenue Account (HRA) loans to 0.80% above equivalent gilt yields. £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% has been made available to support specific local Council infrastructure projects for England, Scotland and Wales for which there is a bidding process.

The consultation titled “Future Lending Terms” allows stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals to allow authorities that are not involved in “debt for yield” activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

The consultation closed on 31st July 2020 with the announcement and implementation of the revised lending terms expected in the latter part of this calendar year or early next year.

If the Council intends future borrowing through the Municipal Bonds Agency, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

Borrowing Strategy

The Council held external short-term loan finance of £79.5m at 31 March 2020, and this has decreased to £65.5m as at 30 September 2020. The balance sheet forecast in Table 1 shows that the Council expects to borrow additional amounts in 2020/21. The Council may decide to borrow to pre-fund future years’ requirements as well, providing this does not exceed the authorised limit for borrowing of £165 million.

The Council continually monitors long term borrowing rates, including the PWLB, with a view to externalising some or all of the current CFR in the near future in order to secure favourable long term borrowing rates. The rates will continue to be monitored by the S151 Officer and advice sought from the Council’s treasury management advisors.

Objectives: 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.

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

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

Alternatively, the Council may arrange forward starting loans during 2020/21, 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.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

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

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

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

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council can access long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

Municipal Bonds Agency (MBA): UK Municipal Bonds Agency PLC was established in 2014 by the Local Government Association as an alternative to the PWLB. The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020, in both instances Lancashire County Council is the sole borrower and guarantor. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council.

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

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.

Treasury Investment Strategy and Activity

On 3 April 2020 the Council received Central Government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. £41m was received, temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds. £38.7m was disbursed by the end of September.

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the last financial year, the Council's investment balance ranged between £26 million and £47 million. As capital expenditure plans are implemented the investment balances are likely to fall unless these are supported through external funding or borrowing.

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

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will further diversify into more secure and/or higher yielding asset classes during 2019/20. A proportion of the Council's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. The financial strategy seeks to increase and maintain higher levels of investment income and we are therefore actively increasing funds held in strategic treasury investments.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown. There are no proposals to change the limits through the mid-year review of the strategy.

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3 m 5 years	£6 m 20 years	£6 m 50 years	£3 m 20 years	£3 m 20 years
AA+	£3 m 5 years	£6 m 10 years	£6 m 25 years	£3 m 10 years	£3 m 10 years
AA	£3 m 4 years	£6 m 5 years	£6 m 15 years	£3 m 5 years	£3 m 10 years
AA-	£3 m 3 years	£6 m 4 years	£6 m 10 years	£3 m 4 years	£3 m 10 years
A+	£3 m 2 years	£6 m 3 years	£3 m 5 years	£3 m 3 years	£3 m 5 years
A	£3 m 13 months	£6 m 2 years	£3 m 5 years	£3m 2 years	£3 m 5 years
A-	£3 m 6 months	£6 m 13 months	£3 m 5 years	£3 m 13 months	£3 m 5 years
None	n/a	n/a	£6 m 25 years*	n/a	£3 m 5 years
Pooled funds and real estate investment trusts	£10m (nominal value) per fund				

This table must be read in conjunction with the notes below
*includes unrated UK Local Authorities

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

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

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. 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 to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

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 an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

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

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

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

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

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.

Operational bank accounts: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £200,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur.

Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

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

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

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

Investment limits: The Council’s revenue reserves available to cover investment losses were £5.1 million on 31st March 2020. The maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

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

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

Non Treasury Investments

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The value of the Council's non-treasury investments are listed in **Appendix 1A**.

The Council's commercial strategy seeks to build its investment property portfolio in order to increase income available to maintain services, in response to reductions in general grant funding from Government. Most if not all of the proposed investment will require financing to be raised through borrowing. This will require the Council to disregard the statutory guidance in respect of 'borrowing in advance of need', and report the rationale for this. The purpose was clearly set out in the Council's approved Commercial Strategy prior to the release of the latest Guidance, and this will be clarified further within the Capital Strategy that is brought to Members in February 2020.

Treasury Management Indicators

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

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

	30/9/20 Actual	2020/21 Target
Portfolio average credit rating	3.2	5.0

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

	30/9/20 Actual	2020/21 Target
Total cash available within 3 months	£7.4m	£10m

Interest rate exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

Interest rate risk indicator	30/9/20 Actual	2020/21 Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.06m	£0.20m
Upper limit on one-year revenue impact of a 1% fall in interest rates		£0.15m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

Maturity structure of borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	30/9/20 Actual	Upper	Lower
Under 12 months	100%	100%	100%
12 months and within 24 months	0%	100%	100%
24 months and within 5 years	0%	100%	100%
5 years and within 10 years	0%	100%	100%
10 years and above	0%	100%	100%

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.

As the Council doesn't have any fixed rated external borrowing at present the above upper and lower limits have been set to allow flexibility to borrow within any of the maturity bands.

Principal sums invested for periods longer than 365 days: 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 were:

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

Other Items

There are a number of additional items that the Council is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

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

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

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

Investment training: The needs of the Council's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment advisers: The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is monitored by measuring:

- The timeliness of advice
- The returns from investments

- The accuracy of technical advice
- Regular market testing
- Regular internal meetings to discuss performance
- Direct access to a nominated advisor
- The quality and content of training courses

Investment of money borrowed in advance of need: The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £165 million. The maximum period between borrowing and expenditure is expected to be three years, although the Council is not required to link particular loans with particular items of expenditure.

Minimum revenue provision (MRP): MHCLG published updated Minimum Revenue Provision guidance in February 2018. This includes clarification regarding the application of the guidance in respect of investment properties. The 2020/21 MRP Policy Statement is included in **Appendix 1C**, to include specific provisions for investment properties.

<u>Financial Implications and estimates for income</u>

The budget for investment income in 2020/21 is £1,769,210 based on an average interest rate of 3.10%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Investment income in the Council's 2020/21 budget was set against a very different economic backdrop. Bank Rate, which was 0.75% in January/February 2020, now stands at 0.1%. Interest earned from short-dated money market investments will be significantly lower. In relation to income from the Council's externally managed strategic funds, dividends and income distributions will ultimately depend on many factors including but not limited to the duration of COVID-19 and the extent of its economic impact, the fund's sectoral asset allocation, securities held/bought/sold and, in the case of equities, the enforced or voluntary dividend cuts or deferral.

The Council has reviewed its expectations for investment income in 2020/21 and has made the following assumptions on strategic investment income shortfalls:

- Bond funds and property funds: 20% lower
- Multi-asset income funds: 25% lower
- Equity income funds: 50% lower

The budget for minimum revenue provision (MRP) for debt repayment in 2020/21 is £920,700.

The interest received as at 30 September 2020 and the projected year-end position is included in **Appendix 1B**.

Other Options Considered

The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer 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

Appendix 1A – Investment & Debt Portfolio Position

EXISTING PORTFOLIO PROJECTED FORWARD

	31/03/19 Actual £'000	31/03/20 Actual £'000	30/09/20 Actual £'000	31/03/21 Estimate £'000	31/03/22 Estimate £'000
External Debt:					
Total External Borrowing	19,500	79,500	66,500	126,600	167,800
Long-term liabilities					
• *Finance Leases**	82	51	51*	51*	51*
Total External Debt	**19,582**	**79,551**	**66,551**	**126,651**	**167,851**
Investments:					
• Short term Deposits	4,000	8,000	1,000	3,500	1,000
• Monies on call and Money Market Funds	480	2,000	3,360	1,500	1,500
• Long term Deposits	1,000			1,000	1,000
• Bonds/CDs	2,000	2,000	2,000	2,000	1,000
• Property Fund & Other pooled funds	23,250	23,250	23,500	25,000	27,500
Total treasury investments	**30,730**	**35,250**	**29,860**	**33,000**	**32,000**
Non-treasury investments:					
• Investment and Loans for Commercial Activities	37,300	85,982	86,779	130,000	150,000
• Loans to Local Businesses	157	149	144	140	132
• Loan to Local Authority Partnership	0	132	132	132	113
	1,017	4,921	4,797	4,653	4,669
Total non-treasury investments	**38,474**	**91,184**	**91,852**	**134,925**	**154,914**
Total Investments	**69,204**	**126,434**	**121,712**	**167,925**	**186,914**
(Net Borrowing Position)/ Net Investment position	**49,622**	**46,883**	**55,161**	**41,274**	**19,063**

*Proposed changes to IFRS 16 (Leases) were due to come into effect from 1 April 2019, the date has been revised to 1 April 2021. The revised IFRS 16 retains the concept of operating and finance leases for lessors, but adopts a new accounting model for lessees that will see most leases come onto the balance sheet.

This will have a significant impact upon local authorities' accounting and capital finance frameworks, work is ongoing to identify and implement the changes required. The figures included in the table do not take account the potential impact of the revised IFRS 16.

Appendix 1B – Half Year Interest position & Year end Projection

INTEREST AS AT 30 SEPTEMBER 2020 & YEAR END PROJECTION

	Income as at 30 Sept 20	2020/21 Projected
	£'000	£'000
Investments advised by Arlingclose:		
Money Market Funds	14	20
Pooled Funds	490	750
Advised Investment Total	**504**	**770**
Internal Investments:		
Corporate Bonds	5	10
Fixed Term Deposits	14	16
Business Reserve Accounts	3	4
Internal Investments Total	**22**	**30**
Advised & Internal Investments Total	**526**	**800**
Other Interest:		
Miscellaneous Loans (Net of interest payable on borrowing)	950	1,900
Other Interest Total	**950**	**1,900**
Total Treasury Investment Income	**1,476**	**2,700**
Treasury Income Budget	**1,220**	**2,441**
Surplus	**256**	**259**

Appendix 1C – Minimum Revenue Provision (MRP) Statement

1 Policy Statement

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

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

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

1.4 For capital expenditure incurred before 1st April 2008, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A" of £9,113k.

1.5 For capital expenditure on operational assets incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset by either of the following methods:

a) In equal instalments

b) Using an annuity basis

1.6 For freehold land, MRP will be applied over 50 years, except where there is a structure on the land which the Council considers to have a life of more than 50 years where in such cases the longer life may also be applied to the land.

1.7 For capital expenditure not related to council assets but which has been capitalised by regulation or direction (e.g. capital grants to third parties) will be charged in equal instalments over a period of up to 25 years.

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

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

1.10 For investment properties, MRP will be calculated over a period of no more than 50 years, and MRP may be calculated by either of the following methods:

a) In equal instalments

b) Using an annuity basis

c) Weighted to reflect projected net income cash flows over the expected life of investment (up to 50 years)

1.11 MRP will be charged from the start of the financial year after the expenditure is incurred, meaning capital expenditure incurred during 2020/21 will not be subject to a MRP charge until 2021/22.

South Somerset District Council

Request for a Dispensation for a Councillor

Executive Portfolio Holder: Val Keitch, Strategy and Housing
Strategic Director: Nicola Hix, Support Services
Lead Officer: Richard Ward, Monitoring Officer
Contact Details: Richard.ward@southsomerset.gov.uk

Purpose of the Report

1. This report is to ask Members to approve a dispensation for a Councillor from attending Council meetings due to ill health over a six month period.

Public Interest

2. If a Councillor fails, or is unable for certain reasons, to attend any meeting of the Council over a six month period, then the Council can approve a dispensation from attending meetings for that Councillor.

Recommendations

3. Council is asked to:-

   a. approve a dispensation for Councillor Malcolm Cavill from attending meetings of the Council by reason of illness for a six month period commencing 2nd December 2020, in order to avoid Councillor Cavill ceasing to be a member of the authority under Section 85 of the Local Government Act 1972.

   b. note that the dispensation will last until 2nd June 2021.

Background

4. Members will be aware of Councillor Cavill's on-going inability to attend Council meetings on the grounds of ill-health. His last attendance at a qualifying meeting under Section 85 of the Local Government Act 1972 was the Regulation Committee meeting on the 2nd June 2020. Section 85 states that if a Member fails over a period of six consecutive months from the date of his last attendance to attend any meeting of the Authority he shall, unless the failure was due to some reason approved by the Authority before the expiry of that period, cease to be a Member of the Authority.

5. Qualifying meetings include attendance as a Member at a meeting of any Committee or Sub-Committee of the Authority or at a meeting of any Joint Committee, Joint Board or other body discharging functions of the Authority. It also includes attendance as a representative of the Authority at a meeting of, for example, an outside body.

South Somerset District Council

Report Detail

6. Councillor Cavill was last present at a Council meeting on 2nd June 2020 and unless the dispensation is agreed, he would cease to be a member of the authority on 2nd December 2020.

7. Under Section 85 of the Local Government Act 1972 such dispensations for members are a responsibility of Full Council, hence this request.

8. Members may recall that in January 2014, a dispensation was agreed for a Councillor. At that time it was noted that similar situations would occur again and it was agreed that in the event of there not being a timely meeting of Full Council to consider a dispensation request, that a flexible mechanism be introduced via a delegation to the Chief Executive to consider such requests and which would avoid the need to call an extraordinary meeting of Full Council to deal with the issue.

9. However, in this case, there is a timely meeting to make this request and so the report is brought to Council. The Group Leaders have been notified and have confirmed their support for the dispensation request.

10. The Chief Executive has obtained the agreement of all of the Group Leaders to extend the dispensation to 2nd June 2021. It is hoped that Councillor Cavill will have regained his health during this period and returned to his Councillor duties.

Financial Implications

11. There are no financial implications in agreeing this dispensation.

Legal implications (if any) and details of Statutory Powers

12. Section 85 of the Local Government Act 1972.
https://www.legislation.gov.uk/ukpga/1972/70/section/85

Council Plan Implications

13. Our Values: Getting things done - Empowering dedicated and flexible employees and elected members focussed on delivery

Carbon Emissions and Climate Change Implications

14. There are no carbon emission or climate change implications arising from this report.

Equality and Diversity Implications

15. There are no equality or diversity implications.

Privacy Impact Assessment

16. The personal data of the individual Councillor named is retained in accordance with the Council's Retention Schedule and whilst in the possession of the Council will be kept secure and confidential.

Background Papers

Reports to Council on 16th January 2014, 17th July 2014 and January 2015.
Section 85 of the Local Government Act 1972.

South Somerset District Council

Report of Executive Decisions

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

Purpose of the Report

This report is submitted for information and summarises decisions to be taken by the District Executive at their meeting on 5th November 2020.

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

Background Papers

All Published

Appendix A

Portfolio	Subject	Decision	Taken By	Date
Environment	'Towards a Climate Resillent Somerset' – Somerset's Climate Emergency Strategy	This report was recommended to Full Council and appears elsewhere on the agenda.	District Executive	05/11/20
Strategy and Policy	Corporate Performance Report 2020-21: 2nd Quarter	District Executive noted the Corporate Performance Report 2020-21: 2nd Quarter.	District Executive	05/11/20
Finance and Legal Services	2020/21 Capital Budget Monitoring Report for the Period Ending 30th September 2020	District Executive agreed to:- a. note the content of the report; b. approve the revised Capital Programme spend profile as detailed in paragraph 7, Table 1; c. approve the transfer of the £100k agreed for the Ninesprings extension project to the John O'Donnell Pavilion Improvements Project at Yeovil Recreation Centre (YRC), detailed in paragraphs 12 – 16; d. approve the projects listed on Appendix B remain in the capital programme.	District Executive	05/11/20
Finance and Legal Services	2020/21 Revenue Budget Monitoring Report for the Period Ending 30th September 2020	District Executive agreed to:- a. note the 2020/21 forecast financial position of the Council; b. note the predicted variance to approved Directorate Budgets as detailed in paragraphs 10 and 12; c. note the budget virements made under delegated authority as detailed in Appendix B; d. approve the budget virements included in paragraph 16, Table 4; e. approve a budget allocation of up to £420k towards local government change, to be held in an earmarked reserve; f. note the transfers made to and from reserves outlined in paragraph 30 Table 6, the Area Reserves as detailed in Appendix C, and the Corporate Reserves as detailed in Appendix D.	District Executive	05/11/20

South Somerset District Council

Audit Committee

Committee Chairman:	Cllr Martin Carnell
Lead Officer:	Jo Nacey, Section 151 Officer
Contact Details:	Jo.nacey@southsomerset.gov.uk or 01935 462243

This report summarises the items considered by the Audit Committee since the last report to Council in October 2020. The Audit Committee met on the 22nd October 2020.

Below are the items that have been considered – for more information about the items please refer to the reports and minutes viewable on the website at: http://modgov.southsomerset.gov.uk/ieListMeetings.aspx?CId=135&Year=0
(The minutes will be available shortly after this Full Council Agenda is published)

- External Audit Progress Report - noted the report.
- Internal Audit Annual Activity Report 2020/2021 - noted the report.
- Treasury Management Practices - the practices included in the agenda be approved.
- 2020/2021 Treasury Management Mid-Year Performance report and Strategy Update - noted the report and endorsed the updated Treasury Management Strategy Statement and Investment Strategy for recommendation to Full Council.
- Risk management Update - noted the risk arrangements in place and noted the completion of the quarterly update to SSDC risk registers completed 31st July 2020.

The next meeting of the Audit Committee is scheduled for 2:00pm on 26th November 2020.

South Somerset District Council

Scrutiny Committee

Committee Chairman:	Cllr Crispin Raikes
Lead Officer:	Stephanie Gold, Specialist (Scrutiny)
Contact Details:	Stephanie.gold@southsomerset.gov.uk or 01935 462656

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

Since the last report, the committee has met on 3rd November. Minutes of the meeting can be viewed on the website at: http://modgov.southsomerset.gov.uk/ieListMeetings.aspx?CId=141&Year=0

The Committee have continued to consider the reports going before District Executive and providing 'critical friend' challenge. Due to the pandemic situation, several of the scheduled reports due to Scrutiny Committee and Task & Finish work has been temporarily delayed.

The Task & Finish groups for the Council Tax Support Scheme for 2021/2022 and Productivity Analysis have now reconvened.

An informal workshop session was held with Scrutiny members, in order to make suggestions on content for the Transformation close down report due to be discussed at District Executive in January 2021. Officers will be running more of these informal workshop style meetings in the future, to enable Scrutiny to be more involved in policy development from an earlier stage.

The Scrutiny Chair and Vice-chairs have met this week, tasked with a full review of the work programme. The members discussed how work is fed into the scrutiny work programme, and how the council can ensure it is getting the most 'value' from the committee.

The Scrutiny and Member Development Specialist is looking at a bespoke Scrutiny training course for Scrutiny members, and others, to be held in early 2021.

South Somerset District Council

Questions under Procedure Rule 10

The following question has been submitted by Councillor Colin Winder under Procedure Rule 10:-

The council received a letter on the 1st of October from Natural England about the levels of phosphate pollution effecting large areas of Somerset. This pollution was causing problems within the planning system, both for agricultural development, and development for housing development. There appeared to be a diversity of agencies responsible for areas of control, but no overall body with the legal backing to ensure total pollution control.

The Environment Bill is at present at the committee stage in the House of Commons. I searched this week through the list of written submissions and could find nothing from South Somerset, or the joint Somerset district councils. The Bill proposes the formation of "An Independent Office for Environment Protection" which I would expect to control pollution and provide the overriding body to deal with cross departmental problems, which is at present missing. It is essential to understand that Nature does not read policy documents, or abide by district or county boundaries.

My question is:-

(1) have SSDC made representation to the Department for Environment, Food, and Rural Affairs to ensure that pollution of our rivers and streams is covered by the proposed Office for Environment Protection (OEP).

(2) if you have not submitted a written representation to the committee on the Environment Bill can you do so? This is a critical problem throughout the district.

South Somerset
District Council

Date of Next Meeting

Members are asked to note that the next scheduled meeting of the Full Council will take place on **Thursday, 3rd December 2020** as a virtual meeting using Zoom meeting software **commencing at <u>6.30 p.m.</u>**