

## 2022/23 Budget Report

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## Purpose of the Report

1. To provide District Executive with the information required to make proposals to Full Council on 28<sup>th</sup> February on the 2022/23 revenue and capital budgets and the 2022/23 Treasury Management Strategy.
2. The Budget Report giving the required information is attached in Appendix One.
3. The 2022/23 Council Tax setting report is a separate report with a separate vote by Full Council and is not included in this District Executive's agenda as the report cannot be compiled until we know the Council Tax requirements of the preceptors.
4. In February 2021 Council approved the 2021/22 revenue and capital budgets including an indicative financial forecast for future years. District Executive received a report at its October meeting refreshing these figures and the Council's overall financial position.
5. Given that 2022/23 is the last year of South Somerset District Council (SSDC) the Budget Report does not include a medium term financial plan or a Capital Strategy. Instead it presents revenue and capital budget proposals, including the Treasury Management Strategy, for the next financial year 2022/23 and preliminary estimates for 2023/24. The latter are based on continuing existing district services and will provide a base input into developing the new Somerset Council's budget for 2023/24. The capital budget does however give additional information on approved capital expenditure that is programmed to spend after 2023/24.
6. In addition this report seeks Council's agreement to adopt the principals included in the Finance and Assets Protocol agreed by LGR Joint Committee on 4<sup>th</sup> February 2022. The aim of the Protocol is that decisions and action taken in the existing councils, including SSDC, are made against the background of avoiding adverse financial pressures for the new Somerset Council. The Protocol if agreed by all five Somerset councils would take effect from April 2022 and is found in Appendix Two.

## Forward Plan

7. This report appeared on the District Executive Forward Plan with an anticipated Committee date in February 2022.

## Public Interest

8. The Budget Report sets out budget proposals to fund on-going services to our residents and to fund the priorities included in the 2022/23 Corporate Plan: Annual Action Plan. These proposals are from the Council's Leadership Team (District Executive Members and Senior Leadership Team (the latter includes the Chief Finance (S151) Officer)).
9. SSDC is legally required to set a balanced budget and Council Tax for the financial year starting on 1<sup>st</sup> April 2022 by no later than 11<sup>th</sup> March 2022. SSDC is the Billing Authority for its area and must set and collect the tax on behalf of Somerset County Council, Avon and Somerset Police & Crime Commissioner, and Devon and Somerset Fire Authority.
10. As well as its own expenditure on the provision of services, it must take account of local precepts issued by the parishes and towns in the District. In addition, the shadow Somerset Rivers Authority has for the seventh year been allowed by the DLUHC (Department for Levelling UP, Housing & Communities) to raise a precept of 1.25% on band D Council Tax to fund its activities.
11. The setting of the budget is a decision reserved for Full Council. The Council's Budget and Policy Framework requires that a draft budget is issued for consultation with Scrutiny Committee (and to Audit Committee for the Treasury Management Strategy) to allow for their comments to be considered before the final budget proposals are made to Full Council. Scrutiny Committee met on 15<sup>th</sup> February and Audit Committee on the 16<sup>th</sup> February: District Executive will be appraised of their comments and views at its meeting on 17<sup>th</sup> February 2022.
12. The Council's Chief Finance (s151) Officer has a statutory responsibility to advise Council on the robustness of the estimates and the adequacy of reserves as part of the budget setting report to Full Council. That advice is contained in the Budget Report (Appendix Two).

## Recommendations

13. District Executive is recommended to propose the following to Full Council for approval:

### **Increases to the revenue and capital budgets**

- a) Revenue budget increases of £2.108m as set out in the Budget Report in Table Five.



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- b) New capital projects and increases on existing approved capital budgets of £21.521m as set out in the Budget Report in Table Twelve.
- c) The creation of a corporate capital contingency within the capital programme, included within the increase reported above in (b), of £4m to be allocated by District Executive on approved projects within the capital programme via a written report from the relevant senior officer.

### Use of reserves

- d) The use of £6.144m earmarked reserves to fund the revenue and capital budgets as described in the Budget Report in Section Five.
- e) An increase of £1m to the LGR Reserve, funded from the MTFP Support Fund reserve, to finance potential capacity issues as described in a separate report on this District Executive's agenda entitled "*Ensuring sufficient staffing capacity during 2022/23*".
- f) Transfer £0.350m from the MTFP Support Fund to the Treasury Management Reserve to support the funding of any increase in interest rates in 2022/23 should they rise above the rates assumed in this Budget Report.
- g) Create a reserve in 2023/24 of £4.8m for the Yeovil Refresh capital project, funded from the MTFP Support Fund reserve, should there be a requirement in that year to pay back the money received to-date from the Future High Streets Fund (FHSF).
- h) Transfer £2m from the Commercial Investments Risk Reserve to the MTFP Support Fund reserve to assist the 2023/24 position of the new Somerset Council in order to help fund potentially adverse local government finance reforms and the Yeovil Refresh reserve (see recommendation g above).

### 2022/23 Revenue Budget

- i) SSDC's revenue budget requirement (Net Budget) of £19,714,320 for 2022/23 as set out in Table One of the Budget Report.

### 2021/22 to 2023/24 Capital Programme

- j) SSDC's capital programme for 2021/22 to 2023/24 of £116.469m as set out in Table Eleven in the Budget Report and the consequential increase in SSDC's financing charges revenue budget of circa £1.272m per annum.

### Council Tax

- k) An assumption that there will be an increase in the 2022/23 Band D Council Tax of 2.82% representing a Band D Council Tax (excluding preceptors) of £182.11.

### Chief Finance Officer's Statement



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- l) Note the advice given by the statutory S151 Officer on the robustness of the estimates, the adequacy of reserves, and the key financial risks arising from these budget proposals.

### **Treasury Management Strategy**

- m) The 2022/23 Investment and Treasury Management Strategy.
  - n) The proposed borrowing and investment limits included in the Treasury Management Strategy.
  - o) The prudential and investment indicators.
  - p) The Minimum Revenue Provision (MRP) Policy statement.
14. District Executive is also recommended to propose that the Assets and Finance Protocol, as agreed by LGR Joint Committee on 4<sup>th</sup> February 2022, is approved and adopted by Full Council.

### **2022/23 Budget Report**

15. The 2022/23 Budget Report is found in Appendix One.

### **Finance & Assets Protocol**

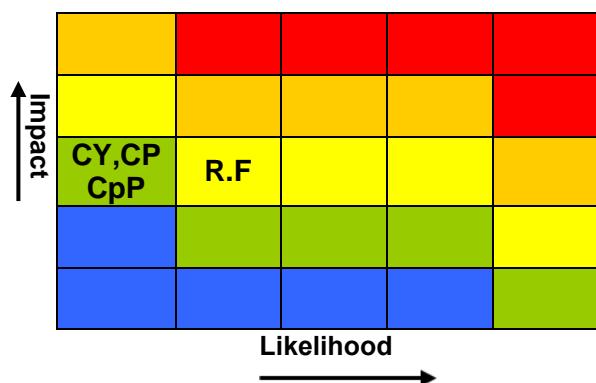
16. A new unitary council will come into existence from 1 April 2023 and all of the financial resources and commitments from the predecessor councils, including SSDC, will transfer to the new Somerset Council at this date.
17. On 4<sup>th</sup> February 2022 LGR Joint Committee agreed to adopt a voluntary Finance & Assets Protocol to ensure that decisions and actions taken in the existing councils are made against the background of avoiding adverse financial pressures for the new Council where possible.
18. LGR Joint Board has recommended that each council adopts the Finance & Assets Protocol which is found in Appendix Two of this report.
19. Each Council will remain responsible for taking their own day to day decisions for spending on service delivery within the revenue and capital budgets for 2022/23 agreed by each Council.
20. Under the Protocol each council should not enter into any new financial or asset-related commitments (beyond those specifically agreed within their approved budgets), or create any new liabilities on behalf of the new Council - subject to agreed limits of £100,000 for revenue and £1m capital.

21. Key areas covered by this protocol would include purchase, disposal and transfer of assets, new contracts and extension of contracts with significant on-going financial commitments (but not routine items like care packages), write off of debts / loans, new capital schemes (including those with on-going financial commitments) and use of reserves above those already approved
22. Any new budget needs above the limits set would be reported to the LGR Finance Workstream Board (comprising the five S151 Officers of each council). Areas of contention will be reported onwards to the LGR CEO Programme Board should that be deemed necessary and ultimately to the LGR Joint Committee if required.
23. It is also recommended that each Council includes a section in all of their future key decision reports on the financial implications of the decision for the new Council.

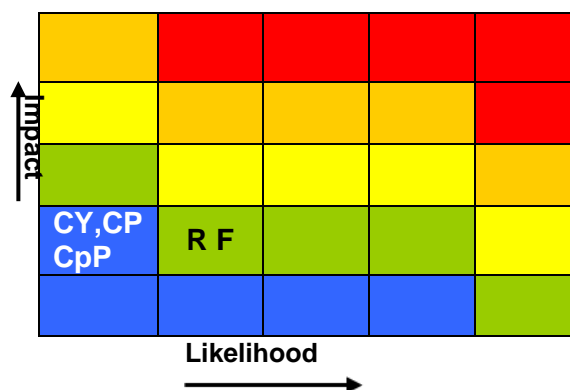
## Risk Matrix

The risk matrix below represents the risk assessment of the financial health of the Council based on performance during 2021/22, 2022/23 budget proposals, and estimated reserve position as at 31/03/2023.

**Risk Profile before officer recommendations**



**Risk Profile after officer recommendations**



### Key

<b>Categories</b>	<b>Colours</b> (for further detail please refer to Risk management strategy)
R - Reputation	High impact and high probability
CpP - Corporate Plan Priorities	Major impact and major probability
CP - Community Priorities	Moderate impact and moderate probability
CY - Capacity	Minor impact and minor probability
F - Financial	Insignificant impact and insignificant probability

## Legal implications (if any) and details of Statutory Powers

Under section 24 of the Local Government and Public Involvement in Health Act 2007, the Secretary of State has power to make a direction to control disposals, contracts



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and reserves under which authorities that are to be dissolved (for example the Somerset councils) are prevented from:

- (a) Disposing of any land if the consideration for the disposal exceeds £100,000;
- (b) Entering into any capital contract where the amount payable exceeds £1,000,000 or can be varied; or
- (c) Entering into any non-capital contract under which the consideration payable by the relevant authority exceeds £100,000 if the period of the contract extends or may extend beyond a date specified; or
- (d) Including an amount of financial reserves in a calculation under section 31A(3) or 42A(3) of the Local Government Finance Act 1992;

without the written consent of the body specified in the direction.

The Protocol is intended as an informal non-legally binding way to avoid the need for a formal direction.

### Council Plan Implications

Section One of the Budget Report (found in Appendix Two) sets out how the budget proposals fund the Annual Corporate Plan Actions.

### Carbon Emissions and Climate Change Implications

The Decarbonisation Phase 2 capital project proposal, should it be agreed by Full Council, will have reduce carbon emissions from various council properties (see separate report on this District Executive's agenda).

### Equality and Diversity Implications

A review of the likely impact of our proposals on those with protected characteristics demonstrates that a full Equalities Impact Assessment is not needed. The Equalities Impact Relevance Check form is appended to this report. In setting our plans for capital and revenue expenditure, we have been mindful to deliver some positive benefits to some of those with protected characteristics and to avoid any negative impacts.

Through the planned extension and refurbishment of the Octagon theatre, for example, we will deliver improved disabled access and toilet facilities. As there is an element of community outreach included in our plans, we expect to bring the opportunity to participate in the arts to a wider audience. Our programmes in Chard and Wincanton are also benefitting community arts projects.

Through funding received by the Department for Work and Pensions, we are currently able to offer access to skills and employment training through three hubs across South Somerset for those who are either unemployed or in low paid work. In Yeovil, we will be replacing ageing play equipment at Ninesprings, in addition to numerous other community projects supported through our Area Committee grant funding.



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## **Privacy Impact Assessment**

There is no impact.

## **Background Papers**

Budget Setting reports to Full Council in February 2021

Quarter Two Capital and Revenue Budget Monitoring reports to Full Council in December 2021

MTFP Refresh to District Executive in October 2021