



EXECUTIVE

YOU ARE REQUESTED TO ATTEND A MEETING OF THE EXECUTIVE TO BE HELD IN THE DEANE HOUSE, BELVEDERE ROAD, TAUNTON ON WEDNESDAY 10TH DECEMBER 2003 AT 18:00.

AGENDA

1. Apologies
2. Minutes
3. Public Question Time
4. The Prudential Code - An Introduction
Report of the Head of Finance (enclosed)

The following items are likely to be considered after the exclusion of the press and public because of the likelihood that exempt information would otherwise be disclosed relating to the Clause set out below of Schedule 12A of the Local Government Act 1972.

5. Cashiering Options for The Deane House and Wellington Community Office
Report of the Revenues Manager (enclosed)
6. Council Housing Stock Options Appraisal
Report of Head of Housing (enclosed)

G P DYKE
Member Services Manager

The Deane House
Belvedere Road
TAUNTON
Somerset

TA1 1HE

02 December 2003

Executive Members:-

Councillor Bishop

Councillor Mrs Bradley

Councillor Mrs Bryant

Councillor Cavill

Councillor Edwards

Councillor Garner

Councillor Hall

Councillor Mrs Lewin-Harris - Deputy Leader

Councillor Williams - Leader

Executive - 19 November 2003

Present: Councillor Williams (Chairman)
Councillors Bishop, Mrs Bradley, Mrs Bryant, Edwards, Hall and Mrs Lewin-Harris

Officers: Mrs P James (Chief Executive), Ms S Adam (Head of Finance), Mr R Sealy (Revenues Manager) and Mr G P Dyke (Members Services Manager)

Also Present: Councillors Henley, Hindley, Lisgo, Stuart-Thorn and Trollope

(The meeting commenced at 6.00 pm).

51. Apologies

Councillors Cavill and Garner.

52. Minutes

The minutes of the meeting of the Executive held on 22 October and 4 November 2003 were taken as read and were signed.

53. Public Question Time

Councillor Henley, as a member of the public, expressed his concern at a letter from Councillor Edwards which had recently appeared in The Taunton Times regarding a licensing application from the Liberal Democrat Party for a fundraising function in High Street, Taunton. Councillor Henley made it clear that he did not query the decision in relation to this application but asked that Councillors did not make unnecessary politically based comments of this nature in the local press.

Councillor Williams replied that he would check with the Monitoring Officer whether there had been any contravention of the Councillors Code of Conduct.

Mr Alan Debenham asked the following questions:-

With regard to the proposed improvements to the Station Road/Priory Bridge Road junction, he was concerned that the removal of the central pedestrian refuge would create danger for pedestrians.

Had any notification been received of this Council's Local Government financial settlement.

He hoped that local charities would still be able to carry out fundraising activities in High Street, Taunton.

Councillor Williams replied that the proposed option for the improvements to the Station Road/Priory Bridge Road junction were still being considered by Somerset County Council. Whichever scheme was pursued it would have been thoroughly vetted by a safety audit system and would not be permitted to proceed unless it was safe for pedestrians.

Shirlene Adam, Head of Finance, replied that the Local Government finance figures had been released earlier in the day and were still being interpreted. It was hoped that information would be available by the end of the week.

Councillor Edwards confirmed that use of the High Street by charities would continue to be allowed, subject to the usual terms and conditions.

54. Council Tax on Second Homes

Reported that the Local Government Act 2003 had introduced new freedoms to Local Authorities with regard to the amount of discount offered on Council Tax on second homes and long-term empty properties.

The Government had previously issued a consultation paper which had looked into the possibility of introducing flexibility in the treatment of Council Tax discounts on second homes in order to allow Local Authorities the option of reducing or removing the current discount of 50%.

The Local Government Act 2003 had concluded that any additional income raised by reducing the discount offered on second homes should be shared by the billing authority (TDBC) and the two main precepting authorities (Somerset County Council and Avon and Somerset Police Authority) in proportion to the amount levied via the Council Tax Bills.

Somerset County Council has suggested that all Somerset Authorities should earmark the additional revenue raised by this change of policy for investment in schemes within the billing authorities area. This could be done by giving first priority to any plans put forward by the Local Strategic Partnership and/or the Local Crime and Disorder Partnership. It would be possible for any of the three major precepting authorities involved to suggest and promote individual schemes but this would be done via the local strategic partnership.

It was reported that the County Council had now formally approved this proposal but that confirmation was awaited from the Avon and Somerset Police Authority.

Long-term empty homes for Council Tax purposes included properties which had been empty and unoccupied for six months or more or, where they required major repairs, 12 months or more. The legislation gave Local Authorities the freedom to decide whether discounts should be applied to these properties. Currently, long-term empty homes received a 50% discount once the period of exemption expired. The Act allowed authorities to reduce or remove that discount.

Reducing or removing the discount for long-term empty homes would not, however, generate any additional income as the additional amount charged would be offset by a

reduction in Revenue Support Grant. It was proposed, therefore, that no reduction be made in the level of discount currently applied to long-term empty properties.

RESOLVED that:-

- (1) 90% of the full Council Tax on second homes be applied instead of the present 50%; and
- (2) the additional income raised be delegated to the Taunton Deane Local Strategic Partnership for decisions on how it would be spent.

55. Council Tax and Non-Domestic Rate Instalment Dates

Reported that Taunton Deane currently operated a payment schedule for local taxation (Council Tax and Non-Domestic Rates) that was different to that of neighbouring authorities. There was now an opportunity to reschedule this which, as well as bringing it in line with other local authorities, would have cash flow benefits for the Council.

The Revenues Best Value Review had identified the need to review the Council's instalment dates for Council Tax and Non-Domestic rates. Taunton Deane had traditionally required cash instalments to be paid on the 20th of the month, commencing in April each year. Direct debit payments were largely paid on the first of each month, commencing in May. In the Council Tax system, the 20th of the month was also offered as a payment date for direct debit although only a minority paid on this date. Details were submitted of the number and approximate annual value of the different rates of payment and instalment dates.

When compared with the other Somerset Authorities and Authorities nationally, Taunton Deane had one the latest set of payment dates. This resulted in a potential loss of income and affected collection rates. Details of the instalment dates within the Somerset Authorities were submitted.

An analysis of this Council's instalment dates indicated that by bringing them forward to the 1 April, would produce substantial additional income through cash flow advantages for the Authority. This additional income would result from the investment income obtained by having received and invested the bulk of the payments three to four weeks earlier each month. Additionally, in the long-term, bringing the instalment date forward would improve the Council's ability to recover debt more quickly and enhance collection rates.

Consideration was given to the following three alternative options. Option 1 - phased introduction of new instalment date; Option 2 - limited move to new date retaining direct debit flexibility; Option 3 - moving all payments to 1 April.

It was recognised that the key to the successful introduction of any change to instalment dates was in giving effective publicity to the change. The cost of any such publicity was estimated to be approximately £10,000 which would be met from with an existing budget.

RESOLVED that Option 2, for a limited move to new date retaining direct debit flexibility be agreed, implemented with effect from 1 April 2004, and kept under review.

This option entailed moving the cash instalment date (20 April) and 1 May direct debit instalment date to 1 April from next year. The 20 April direct debit instalment date would remain and be supplemented with the addition of a 10 April direct debit instalment date.

56. Council Tax Base 2004/05

Noted that the Council Tax base was the Band D equivalent of the properties included in the Valuation Officer's banding list as at 16 October 2003, as adjusted for voids, appeals, new properties and the provision for non-collection.

The Band D equivalent was arrived at by taking the laid down proportion of each Band as compared to Band D and aggregating the total. The approved base had to be notified to the County Council, the Police Authority and to each of the parishes.

Adjustments had also been included for new dwellings and for initial void exemptions for empty properties. The Council Tax base also had to reflect the provision for losses on collection. In the current year, a collection rate of 99% was agreed and this rate was considered reasonable for 2004/05. The Council Tax base for 2003/04 was 38,122.79 and the recommended base 2004/05 of 38,410.50 represented an increase of 287.71 or 0.75%.

It was noted that a reduction in the Council Tax discount currently awarded to second homes might increase the Council Tax base. These calculations assumed no increase in the tax base as a result of any policy change on treatment of second homes and long-term empty properties. Members were therefore made aware that any legislative changes to the treatment of second homes in the tax base calculations could result in revised figures being submitted to Full Council for approval.

RESOLVED that the Council be recommended that:-

- a) the report of the Financial Services Manager for the calculation of the Council Tax base for the whole and parts of the area for 2004/05 be approved.
- b) pursuant to the Financial Services Manager's report, and in accordance with the Local Authority (Calculation of Tax Base) Regulations 1992, the amount calculated by Taunton Deane Borough Council as its Tax Base for the whole area for the year 2004/05 shall be 38,410.50 and for the parts of the area listed below shall, for 2004/05 be:-

| | |
|-----------------------------|----------|
| Ash Priors | 64.53 |
| Ashbrittle | 86.10 |
| Bathealton | 82.69 |
| Bishops Hull | 1,065.98 |
| Bishops Lydeard/Cothelstone | 1,810.11 |
| Bradford on Tone | 276.21 |

| | |
|-----------------------------|------------------|
| Burrowbridge | 200.55 |
| Cheddon Fitzpaine | 624.55 |
| Chipstable | 110.09 |
| Churchstanton | 303.62 |
| Combe Florey | 108.31 |
| Comeytrowe | 2,058.60 |
| Corfe | 131.44 |
| Creech St Michael | 928.88 |
| Durstun | 57.21 |
| Fitzhead | 117.95 |
| Halse | 142.53 |
| Hatch Beauchamp | 240.69 |
| Kingston St Mary | 428.18 |
| Langford Budville | 210.93 |
| Lydeard St Lawrence/Tolland | 191.45 |
| Milverton | 566.97 |
| Neroche | 239.82 |
| North Curry | 681.90 |
| Norton Fitzwarren | 652.72 |
| Nynehead | 146.60 |
| Oake | 315.95 |
| Otterford | 159.73 |
| Pitminster | 437.89 |
| Ruishton/Thornfalcon | 604.16 |
| Sampfurd Arundel | 126.01 |
| Staplegrove | 714.55 |
| Stawley | 114.10 |
| Stoke St Gregory | 372.11 |
| Stoke St Mary | 192.23 |
| Taunton | 15,317.36 |
| Trull | 934.62 |
| Wellington | 4,478.96 |
| Wellington (Without) | 290.80 |
| West Bagborough | 152.81 |
| West Buckland | 396.61 |
| West Hatch | 139.37 |
| West Monkton | 1,068.29 |
| Wiveliscombe | 1,066.35 |
| Total | 38,410.50 |

57. Treasury Management Update 2003/04

Submitted report previously circulated which gave an update on the current position for treasury management activities in 2003/04, together with details of the forecast for interest rates and borrowing and investment transactions during the year.

RESOLVED that the treasury management position to date for 2003/04 and the issues highlighted for the six months into 2004/05 be noted.

58. Business Improvement Districts

Reported that the Local Government Act 2003 had introduced the opportunity to create Business Improvement Districts which were partnerships between local authorities and local businesses whose aim was to deliver schemes that would operate for the benefit of the community. Although further consultation papers were expected, local authorities had been encouraged in the mean time to work with the local businesses to develop BIDs.

Details were submitted of the partnership arrangement through which local authorities and the local business community were encouraged to take forward schemes that would benefit the local community subject to the agreement of business rate payers.

The Taunton Town Centre Partnership was keen to develop a BID. A project team chaired by Richard Lee (the Manager of Boots) had been created to progress this issue. The project team were currently engaging with key partners to ensure that the BID concept was fully supported.

RESOLVED that:-

- (1) the concept of Business Improvement Districts be supported and the project team be also supported in its efforts to gain stakeholder backing;
- (2) the Community Leadership Panel monitor the progress of the BID over the coming months.

(The meeting ended at 6.47 pm).

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 10 DECEMBER 2003

REPORT OF THE HEAD OF FINANCE

This Matter Is The Responsibility of Executive Cllr Williams (Leader of the Council)

THE PRUDENTIAL CODE – AN INTRODUCTION

1 Executive Summary

- 1.1 This report sets out the main changes to the capital finance regime that is contained within the new Prudential Code (The Code).
- 1.2 The Code has been developed by CIPFA after a lengthy consultation process including a “Dry Run” where a number of local authorities have tested the implications of the code.
- 1.3 The Code has been established to ensure that local authority capital investment plans are affordable, prudent and sustainable and that all decisions on capital spending are linked to option appraisal, asset management planning, strategic planning and the achievability of any forward plan.
- 1.4 The Prudential Code will become effective on the 1 April 2004, the indicators prescribed by the code will therefore have to be considered as part of the 2004/05 budget setting process. Further information will be presented at the January Executive meeting where our treasury management advisors, Sector, will be making a presentation on the new Code.

2 Background

- 2.1 In response to the requirements of the Local Government Bill 2003 and in particular the Prudential Regime for Capital Finance the Chartered Institute of Public Finance and Accountancy (CIPFA) have developed a Prudential Code (the Code).
- 2.2 Under the new regime Local Authorities will be able to determine their own programmes for capital investment in fixed assets that are central to the delivery of quality local public services. The Code has been developed as a Professional Code of Practice to support Local Authorities in making these decisions. Prudential borrowing will therefore replace credit approvals, which were government issued borrowing entitlements for local authorities.

3 Objectives of the Code

- 3.1 The key objectives of the code are to ensure that within a clear framework the capital investment plans of a Local Authority are Affordable, Prudent and Sustainable. A further key objective is to ensure that Treasury Management decisions are taken in accordance with good professional practice and in a manner that supports Prudence, Affordability and Sustainability.
- 3.2 To demonstrate that Local Authorities have fulfilled these objectives, the Code sets out indicators that must be used and the factors that must be taken into account. The code does not include suggested indicative limits or ratios, these are for Local Authorities to set themselves. The Prudential Indicators required by the Code have been designed to support and record local decision making, they are not designed to be comparative Performance Indicators. A schedule of the indicators, providing details as to their use, is shown at Appendix A.

4 Scope and Governance Issues

- 4.1 The Code will apply to all Local Authorities in England and Wales and sets out a clear governance procedure for the setting and revising of the Prudential Indicators.
- 4.2 This will be done by the same body that takes the decision for setting the Councils budget ie Full Council. The Chief Financial Officer (Head of Finance) will be responsible for ensuring that all matters required to be taken into account are reported to the decision making body for consideration and for establishing procedures for monitoring performance.

5 Effect on Corporate Priorities

- 5.1 The Prudential Code will underpin all aspects of local authority capital spending and consequently will have an impact on all corporate priorities.

6 Conclusions and Recommendations

- 6.1 The code gives greater freedom for borrowing to local authorities but this must be done responsibly. This report details the range of indicators included within the Code. The Code will require the following matters to be taken into account when making capital investment decisions
 - a) Value for Money - Option appraisal for all projects
 - b) Stewardship of assets - Asset management planning
 - c) Service objectives - Strategic planning for the authority
 - d) Practicality - Achievability of the forward plan
 - e) Prudence - Implications for external borrowing
 - f) Affordability - Implications for Council tax
- 6.2 The indicators contained in Appendix A to this report will assist the Council in ensuring that the above principles are complied with. The Executive should also recognise that the Prudential Code will place a duty on local authorities to

ensure that when making any decisions on capital investment explicit regard must be made to:

- Option appraisal
- Asset management planning
- Strategic planning
- Achievability of the forward plan

- 6.3 It could be viewed that the indicators as set out above are merely making statutory the safeguards which many authorities already have in place, however the freedom to borrow brings with it responsibilities and the code is designed to make sure that local authorities understand those responsibilities. In order to provide further information to members the Council's Treasury management advisors, Sector, are due to attend the January Executive meeting with their expert view on what the Code means for this Council.
- 6.4 The Executive is RECOMMENDED to note the introduction of the Prudential Code and the work being done on the Prudential indicators as detailed in Appendix A.

Background Papers: Executive, 28 May 2003, The Prudential Code.

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APPENDIX A

| Indicator | Information | Measure |
|---|---|--|
| Indicator 1 – Capital Expenditure | The local authority will make reasonable estimates of the total of capital expenditure that it intends to incur during the forthcoming financial year and the following two financial years | Affordability – Highlights the capital spending plans for the next three years |
| Indicator 2 – Capital Financing Requirement | The local authority will make reasonable estimates of the total financing requirement at the end of the forthcoming financial year and the forthcoming financial years. | Affordability – a measurement of the Councils underlying need to borrow. |
| Indicator 3 – Authorised Limit for external debt | The local authority will set for the forthcoming financial year and the following two financial years a prudential limit for its external debt, gross of investments. | Affordability - This limit represents the maximum amount the Council may borrow at any point in time in the year and has to be set at a level the Council considers to be “prudent”. |
| Indicator 4 – Operational boundary for external debt | The local authority will also set for the forthcoming financial year, and the following two years an operational boundary for its total external debt. | Affordability - The operational boundary is a measure of the most money the Council would borrow at any time during the year. |
| Indicator 5 – Actual Gross Borrowing outstanding | After the year end the closing balance for actual gross borrowing plus Other long term liabilities will be obtained directly from the authority’ s balance sheet. | Affordability – highlights the amount of debt outstanding at the end of each financial year |
| Indicator 6 – Adoption of CIPFA Code of Practice for Treasury Management | This indicator is linked to the concept of Prudence and ensures the council’s investment decisions are being made in line with the CIPFA code of practice | Prudence – ensures investment decisions are being made in accordance with best practice |

| Indicator | Information | Measure |
|--|---|--|
| Indicator 7 – Limits on Variable Interest Rate Exposure | The local authority will set for the forthcoming year and the following Two years, both upper and lower limits for its variable | Prudence – Interest Rate Risk Management |
| Indicator 8 – Limits on Fixed Interest Rate Exposure | The local authority will set for the forthcoming year and the following Two years, both upper and lower limits for its Fixed interest rate exposure. | Prudence – Interest Rate Risk Management |
| Indicator 9 – Maturity Structure of Borrowing | The local authority will set for the forthcoming year both upper and lower limits with respect to the maturity structure of its borrowing | Prudence – Highlights when a local authorities debt will be maturing |
| Indicator 10 – Investments held over 364 days | The amount of investment held for periods in excess of 364 days. | Prudence - Interest Rate Risk Management |
| Indicator 11 – Financing Costs Ratio | The local authority will estimate for the forthcoming financial year and the following two financial years the ratio of financing costs to net revenue stream | Affordability – The cost of financing costs as a percentage of revenue |
| Indicator 12 – Impact on Council Tax | The local authority will estimate for the forthcoming year the impact of financing costs on the Council Tax | Affordability – The impact of capital expenditure on the Council Tax payer |