TAUNTON DEANE BOROUGH COUNCIL

Executive

You are requested to attend a meeting of the Executive to be held in The John Meikle Room, The Deane House, Belvedere Road, Taunton on 9 February 2017 at 18:15.

Agenda

1 Apologies.

2 Minutes of the meeting of the Executive held on 30 November 2016 (attached).

3 Public Question Time.

4 Declaration of Interests
To receive declarations of Disclosable Pecuniary Interests or personal or prejudicial interests, in accordance with the Code of Conduct, in relation to items on the agenda. Such interests need to be declared even if they have already been recorded in the Register of Interests. The personal interests of Councillors who are County, Town or Parish Councillors will automatically be recorded in the minutes.

5 Somerset Waste Partnership Draft Business Plan 2017-2022. Joint report of the Assistant Director - Operational Delivery and Somerset Waste Partnership's (SWP) Managing Director (attached).

Reporting Officers: Steve Read
Chris Hall

6 Hinkley Point C: Housing Funding Strategy (Phase 2). Report of the Community and Housing Lead (HPC) (attached).

Reporting Officer: Lisa Redston

7 Draft Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy 2017/2018. Report of the Finance Manager (attached).

8 General Fund Revenue Budget Estimates 2017/2018. Report of the Finance Manager (attached).

9 Housing Revenue Account Budget Estimates 2017/2018. Report of the Finance Manager (attached).

10 Capital Programme Budget Estimates 2017/2018. Report of the Finance Manager (attached).

11 Executive Forward Plan - details of forthcoming items to be considered by the Executive and the opportunity for Members to suggest further items (attached)

Bruce Lang
Assistant Chief Executive

07 August 2018

Members of the public are welcome to attend the meeting and listen to the discussions.

There is time set aside at the beginning of most meetings to allow the public to ask questions.

Speaking under “Public Question Time” is limited to 4 minutes per person in an overall period of 15 minutes. The Committee Administrator will keep a close watch on the time and the Chairman will be responsible for ensuring the time permitted does not overrun. The speaker will be allowed to address the Committee once only and will not be allowed to participate further in any debate.

Except at meetings of Full Council, where public participation will be restricted to Public Question Time only, if a member of the public wishes to address the Committee on any matter appearing on the agenda, the Chairman will normally permit this to occur when that item is reached and before the Councillors begin to debate the item.

This is more usual at meetings of the Council’s Planning Committee and details of the “rules” which apply at these meetings can be found in the leaflet “Having Your Say on Planning Applications”. A copy can be obtained free of charge from the Planning Reception Desk at The Deane House or by contacting the telephone number or e-mail address below.

If an item on the agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group.

These arrangements do not apply to exempt (confidential) items on the agenda where any members of the press or public present will be asked to leave the Committee Room.

Full Council, Executive, Committees and Task and Finish Review agendas, reports and minutes are available on our website: www.tauntondeane.gov.uk

The meeting rooms at both the Brittons Ash Community Centre and West Monkton Primary School are on the ground floor and are fully accessible. Toilet facilities, with wheelchair access, are available.

Lift access to the Council Chamber on the first floor of Shire Hall, is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are available through the door to the right hand side of the dais.

An induction loop operates at Shire Hall to enhance sound for anyone wearing a hearing aid or using a transmitter.

For further information about the meeting, please contact Democratic Services on 01823 219736 or email r.bryant@tauntondeane.gov.uk

If you would like an agenda, a report or the minutes of a meeting translated into another language or into Braille, large print, audio tape or CD, please telephone us on 01823 356356 or email: **enquiries@tauntondeane.gov.uk**

Executive Members:-

Councillor J Warmington (Community Leadership)
Councillor A Sully (Corporate Resources)
Councillor M Edwards (Economic Development, Asset Management, Arts and Culture, Tourism and Communications (Deputy Leader))
Councillor P Berry (Environmental Services & Climate Change)
Councillor T Beale (Housing Services)
Councillor J Williams - Leader of the Council (Leader of the Council)
Councillor R Parrish (Planning Policy and Transportation)
Councillor V Stock-Williams (Sports, Parks and Leisure)

Executive – 30 November 2016

Present: Councillor Williams (Chairman)
Councillors Beale, Berry, Edwards, Habgood and Mrs Herbert

Officers: Shirlene Adam (Director – Operations), Alastair Higton (Executive Assistant, Policy and Research, Somerset County Council), Chris Hall (Assistant Director – Operational Delivery), Steve Read (Somerset Waste Partnership), Dave Mansell (Somerset Waste Partnership) and Richard Bryant (Democratic Services Manager)

Also present: Councillors Coles, Ms Lisgo, Prior-Sankey and Wren

(The meeting commenced at 6.15 pm.)

62. **Apologies**

Councillors Parrish and Mrs Warmington.

63. **Minutes**

The minutes of the meeting of the Executive held on 9 November 2016, copies of which had been circulated, were taken as read and were signed.

64. **Parishing the Unparished Area of Taunton Task and Finish Group**

Considered report previously circulated, relating to the findings of the Unparished Area of Taunton Task and Finish Group.

The Group had been established by the Committee in July 2014 to investigate creating new Parish Council(s) to cover the Unparished Area of Taunton.

To address dissatisfaction with the revenue currently available to the Unparished Area versus the potential for precepting to provide additional services in Taunton, the Group had considered six possible options:-

- Do nothing;
- The formation of a single Town Council for Taunton;
- The establishment of several Parish Councils to cover the Unparished Area;
- To consider alternatives to Parish Councils;
- The production of a ‘hybrid’ solution; and
- Look ahead to what could happen alongside any future Local Government reorganisation.

The Group had met three times and explored:-

- What, if any, changes should be made to current arrangements;
- How new Parish Councils Would be set up;

- What powers they could exercise;
- What costs might be associated with setting up and running them; and
- What alternatives to new Parish Councils might offer.

The Group had agreed that the four challenges facing the Unparished Area in terms of governance were:-

(1) Dissatisfaction with the revenue currently available to the Taunton Unparished Area;

(2) The perceived lack of revenue for central Taunton, opportunities for cascading of services to Parish Councils and the potential for Parish Precepts to be capped in the future.

(3) Concern that a democratic deficit might exist; and

(4) That a parished Taunton might benefit more from the double/triple devolution that a Heart of the South West devolution deal could offer.

Parish Council powers were generally the same as those of District Councils. However in reality their lack of resources meant they limited themselves to local environmental, community and amenity issues.

Reported that new Parish Councils could only be created after a formal Community Governance Review had been carried out by Taunton Deane Borough Council and its recommendations adopted by the Council. Noted that such a Review could be triggered by an appropriate petition or by the Council deciding to carry one out.

The cost of setting up a Parish Council depended on the ambition for the Council and the activities it would take on. Staffing levels and cost of premises could be lower if these costs were shared with other organisations, such as a District Council.

Examples of setting-up costs and subsequent running costs were submitted for information.

The Group had felt that the costs associated with setting up one or more new Parish Councils for Taunton would:-

- ❖ Be costly in terms of a Community Governance Review, set-up and running costs; and

- ❖ Not necessarily be supported by the people of Taunton who would likely have to pay a higher precept than currently if the new Council(s) were to have any significant additional impact on Taunton.

At the time of writing the Group's report, the ongoing consideration of merging Taunton Deane and West Somerset Councils; the potential for Local Government reorganisation should the Government wish it; and continuing public sector austerity, suggested that a "wait and see" attitude should be taken.

The Group had therefore agreed that an incremental approach was advisable. If there was a public desire to parish Taunton (which did not currently appear to be the case), the petitioning mechanism remained open. Furthermore, the recommended new Committee would be able to revisit the issue in the future.

Further reported that when conducting a Community Governance Review, alternatives and intermediate stages to a Parish Council had to be considered. These included:-

- Area committees;
- Neighbourhood management arrangements;
- Tenant management organisations;
- Area/community forums; and
- Residents, tenants or community associations.

Each of the options were considered and most appeared to require a level of public participation that was not guaranteed, and potentially required significant resources to set up and run.

The Group had therefore suggested that an initial way forward could be to call half-yearly meetings of the Councillors representing Wards in the Unparished Area. This new Committee would allow issues affecting this area of Taunton to be discussed.

It was suggested that this Committee could:-

- Take responsibility for the Unparished Area Fund, appropriately ring-fenced so it could be used to support services to a limited degree in the Unparished Area; and

- Replace the Taunton Unparished Area Advisory Panel.

Members were cautioned that if an Unparished Area Committee was formalised than an adequate level of officer support would be essential.

The Community Scrutiny Committee had considered the Task and Finish Group's report at its meeting on 1 November 2016 and had recommended the deletion of Recommendations 2.1 and 2.4 for the reasons provided. Changes to the wording of some of the other recommendations had also been proposed.

In addition to the above, the Community Scrutiny Committee had also recommended the Executive to agree that, with the likelihood of a new District Council being formed with West Somerset Council, a Community Governance Review should be commenced at the earliest opportunity to consider the establishment of a Town Council for Taunton, with a further view to achieving Borough Status for the town to provide a democratic and civic focus.

Having considered Scrutiny's comments, the Executive decided not to accept its recommendations other than to enable the proposed new Area Committee to also consider using the available funding derived from the Community Infrastructure Levy. The Executive also agreed that the Area Committee should meet no more than four times per year.

Resolved that the following recommendations of the Task and Finish Group (as amended by the words shown in italics) be approved:-

(a) Currently, the creation of a Town Council or several new Parish Councils for the Unparished Area of Taunton be not supported;

(b) A new Committee be established comprising all Borough Councillors in the Taunton Unparished Area to:-

- Replace the Taunton Unparished Area Advisory Panel;

- Discuss and advise Taunton Deane Borough Council on issues in the Taunton Unparished Area;

- Consider using the available funding derived from the Unparished Area Special Expenses Precept *and from the Community Infrastructure Levy* to partly support the existing grant scheme and to support more strategic schemes or existing services in the Unparished Area of Taunton; and

- Determine its other Terms of Reference;

(c) Taunton Deane Borough Council be requested to provide officer support for the new Committee at the lowest possible cost to be funded from the Unparished Area Precept Fund; and

(d) The new Committee meets *no more than four times per year* in the first instance.

65. **Executive Forward Plan**

Submitted for information the Forward Plan of the Executive over the next few months.

Resolved that the Forward Plan be noted.

66. **Exclusion of the Press and Public**

Resolved that the press and public be excluded from the meeting for the following item because of the likelihood that exempt information would otherwise be disclosed relating to Clause 3 of Schedule 12A to the Local Government Act, 1972 and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

67. **Recycle More, Domestic Waste Collection Services**

Considered report previously circulated, concerning the environmental and financial benefits of the Somerset Waste Partnership (SWP) moving to the new ‘Recycle More’ collection services.

The collection of domestic waste was a responsibility of the district councils, with the final disposal costs being the responsibility of the County Council.

Taunton Deane, like all districts in Somerset, met its statutory requirements through the SWP who managed the domestic collection and disposal on the Council's behalf.

The rising costs of waste collection and disposal had been a matter of concern for the partner Councils for some time and SWP were asked to look for alternative models that would limit exposure to cost increases as the number of properties and the cost of the Landfill Tax continued to rise.

The Business Case prepared by SWP, which accompanied the report, looked at the kerbside collection elements of the domestic waste chain and the opportunity to divert waste to recycling, together with other projects which were underway with a view to agreeing final waste disposal options.

Taunton Deane had never set a target for savings as the complexity of the contracts made it difficult to establish a realistic reduction. Work that had been undertaken had evidenced that the adoption of Recycle More would deliver the greatest saving whilst retaining the principles of "Sort It Plus". There were other collection models that would be cheaper, but the value of the materials collected would reduce, impacting on the overall package of costs and therefore not deliver the level of savings that were on offer.

The Council currently had a number of homes still on weekly collections. Part of the saving to Taunton Deane was on the basis that these properties were also moved to the same collection schedule as the rest of the County if the new service model was approved.

A consideration for Members was to fund the retention of these weekly collections for the benefit of approximately 200 properties in Taunton Town Centre and approximately 100 in Wellington Town Centre.

Further reported that moving to the proposed model of collections and with the assumptions made on waste diversion from landfill to recycling, these presented an opportunity for savings. The savings identified by SWP for Taunton Deane Borough Council were set out in the report. This was in a full year after all upfront costs for implementation had been met.

The matter had been considered by the Community Scrutiny Committee at its meeting on 28 November 2016 where the Recycle More proposals were generally supported. The main comments made by Members were submitted for the information of the Executive including a recommendation that the weekly collections to certain properties in the central areas of both Taunton and Wellington should not be retained.

Resolved that:-

(1) The Somerset Waste Board be notified of the Executive's support for the

Recycle More proposals prior to the Board taking its final decision on the matter on 16 December 2016; and

(2) A proposal not to retain the weekly collections in place for a number of defined properties, identified within the report, be also supported.

(The meeting ended at 7.54 p.m.)

Taunton Deane Borough Council

Executive – 9 February 2017

Somerset Waste Partnership Draft Business Plan 2017-2022

Report of the Assistant Director Operational Delivery – Chris Hall and Somerset Waste Partnership's (SWP) Managing Director - Steve Read
(This matter is the responsibility of Executive Councillor Patrick Berry)

1 Executive Summary / Purpose of the report

The report seeks approval for the Somerset Waste Partnership's Draft Business Plan for 2017-2022 attached.

Whilst the business plan has a 5 year horizon Members are only requested to approve the plan for the financial year 2017/18.

The cost increase when compared with 2016/17 is £102,028. The budget for 2017/18 was set with a contract increase in mind and as a result there is no negative impact on the Councils MTFP as a result of this change.

2. Recommendations

The Executive is recommended to:-

i) Review and approve the Somerset Waste Partnership's Budget for 2017-2018; and

ii) Note the content of the Business Plan 2017 - 2022.

3. Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
Household growth increases the cost of the contract	Possible (3)	Major (4)	Medium (12)
Household numbers are increasing and impacting the contract costs, Recycle More will limit cost increases.	Unlikely (2)	Major (4)	Medium (8)
Inflation and operating costs continue to rise making the service unaffordable	Possible (3)	Moderate (3)	Medium (9)

Costs are increasing and the new service model will assist in making savings and limiting cost increases in the short to medium term	Possible (3)	Minor (2)	Low (6)

4. Background and Full details of the report

4.1 The Somerset Waste Partnership has managed waste and recycling services on behalf of all local authorities in Somerset since October 2007. The partnership is governed through a Joint Committee known as the Somerset Waste Board. The SWB Constitution requires the single client team to prepare a Draft Business Plan with an accompanying Action Plan on an annual basis. The Board then approves a draft for consultation with the partners, so that each partner authority has the opportunity to comment on the plan. The Board considered the draft plan on 16th December 2016 and comments are requested by mid-February so that the Board can adopt the Plan and Budget.

4.2 The Board can, by a majority vote, amend the Business Plan in order to accommodate any unforeseen circumstances and to assist the Board to achieve the Aims and Objectives. Any partner council can request such an amendment at any time.

4.3 The Board is almost exclusively funded from contributions from partners and, apart from one-off funding bids, has no automatic block grant from Central Government or any reserves. It is therefore dependent on agreement between partners on the level of funding provided by each of them in line with the cost sharing formula. Business Planning and Budget setting are therefore part of the same process.

5 Purpose of the Business Plan

5.1 The Draft Business Plan and associated Action Plan, attached as appendix 1, are the means by which the partnership describes its business, evaluates changes to the operating environment, identifies strategic risks and sets out its priorities. The plan has a five year horizon with particular focus on the next 12 months. It is the primary means to seek approval for and to secure the necessary resources to implement its proposals from the partner authorities.

5.2 The plan also sets out the draft Annual Budget for the Waste Partnership for 2017/18, which for TDBC represents an increase of £102,028, 2.99%.

6 Responsibility for the Business Plan

6.1 The Board has delegated authority for decision making across all services and therefore must make proposals to the partners on how savings can be made, taking into account any requirements to make savings and proposals on how this can be achieved. Under the terms of the Inter Authority Agreement, the Board cannot make a decision that has an adverse financial implication on any partner without the consent of that partner. The Board cannot refuse to accept savings targets handed down – but it does have discretion on how those savings can be implemented, provided all partners sign up through approval of the draft plan.

7 Consultation

7.1 Individual partners were previously asked to give an indication of any savings targets so that options to achieve these and associated risks could be assessed by the SWP in consultation with the Strategic Management Group. All partners have a need to control costs in this area and a number of initiatives have been underway to evaluate the opportunities and impacts of future cost management choices.

7.2 Specifically trials were undertaken in Taunton Deane which have, and will continue, to inform the nature of the service going forward for the entire partnership. These trials made temporary alterations to the material types that were collect at the kerbside and the frequency of collections.

7.3 Recycle More was approved by TDBC on 30th November 2016 the budget presented in the appended business case for 2017/18 contains no savings or costs associated with this new operating model during the roll out phase.

8 Key Actions for 2017–22

8.1 SWP's key aims and priorities are identified within the Draft Business Plan. Of these Members are reminded of the large scale projects underway which produce significant changes to service delivery:

- Alternative refuse treatment
- Recycle More, new service model

8.2 The Draft Plan has been brought together against the background of the continuing difficult economic situation but with a continuing desire from partners to deliver the following key priority areas:

1. Waste minimisation, high diversion and high capture
2. Improved services for customers;
3. Contract monitoring and review;
4. Alternatives to landfill and optimising material processing;
5. Investigating Recycling Centre options;
6. Investigating collection service options;
7. Organisational efficiency.

9 Finance / Resource implications

9.1 The Waste Partnership is largely funded from contributions from partners and has no block grant from Central Government or any reserves. It is therefore dependent on agreement between the partners on the level of funding provided by each of them in line with the cost sharing formula. Business Planning and Budget setting are part of the same process.

9.2 The Annual Budget, once finally approved, will become the new measure for the financial performance of the Waste Partnership for 2017/18. SWP will continue to share the costs among partners in the approved format.

9.3 The Annual Audit letter has been received and there are no actions outstanding and the conclusions are entirely positive.

9.4 The cost increase from 2016/17 is £102,028 or 2.99%. This is made up of an increase in the collection contract costs and an increase in household numbers receiving the service.

9.5 The budget for 2017/18 was set with a contract increase in mind and as a result there is no negative impact on the Councils MTFP as a result of this change.

10 Legal Comments

10.1 The waste collection contract is one of the Authority's largest contracts. The Waste Partnership fulfils the Authority's statutory responsibilities in regard to waste collection.

11 Links to Corporate Aims / Priorities

11.1 SWP is one of the Authority's key partnerships and takes client and operational responsibilities for the delivery of our recycling and waste priorities.

12 Environmental Implications

12.1 The role of SWP has a direct impact on the environment and all actions within the plan are considered against their environmental benefits.

13 Asset Management Implications

13.1 There are no implications as a result of the report.

14 Equalities Impact

14.1 Equalities and other Impact assessments have been made in respect of all savings proposals, even where these do not have an immediate public impact. Individual partners will consider the Draft Plan during January and early February 2017.

15 Risk Management

15.1 The SWP risk register is reviewed annually and taken to the Somerset Waste Board for approval. The updated risk register is attached at Appendix 2.

16 Partnership Implications

16.1 The Somerset Waste Partnership is one of the Council's key partnerships. The Partnership undertakes the client and operational responsibilities for the delivery of our waste collection obligations and our recycling and waste reduction priorities.

17 Scrutiny comments to be provided verbally following the Scrutiny meeting of 7th February.

Democratic Path:

- **Scrutiny - Yes**
- **Executive – Yes**
- **Full Council – No**

Reporting Frequency: Annually

Contact Officer

Name	Chris Hall
Direct Dial	01823 356499
Email	c.hall@tauntondeane.gov.uk

Name	Steve Read
Direct Dial	01823 625707
Email	steve.read@somersetwaste.gov.uk

Background papers

Somerset Waste Board Constitution and Inter-Authority Agreement
http://www1.somerset.gov.uk/council/boards.asp?boardnum=32

Risk Scoring Matrix

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

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

Somerset Waste Partnership

SWP Business Plan 2017 – 2022

Table of Contents

Page 6	Somerset Waste Partnership Business Plan 2017-22
Page 9	Action Table
Page 19	Draft Budget Summary
Appendix A	SWP Risk Register

Change History	
10 Nov 2016	Initial Draft
29 Nov 2016	SR Revision marks
06 Dec 2016	Draft for Approval

1. About Somerset Waste Partnership

Somerset Waste Partnership (SWP) was established in 2007 to manage waste services on behalf of Mendip, Sedgemoor, South Somerset and West Somerset District Councils, Taunton Deane Borough Council and Somerset County Council. This made it the first county wide waste partnership in the country.

SWP has delegated authority to deliver household waste and recycling services throughout Somerset, including management of kerbside collections, recycling sites and disposal sites. These duties are in turn contracted to Kier (collection services) and Viridor Plc (recycling sites, landfill sites and recycling or disposal of food waste, garden waste and residual waste).

SWP is accountable to the Somerset Waste Board (SWB), which consists of two members from each of the partner authorities.

For further information about Somerset Waste Partnership and the Somerset Waste Board please visit www.somersetwaste.gov.uk

2. Key Stakeholders

- Residents of Somerset
- Members and officers of partner authorities
- Kier MG CIC
- Viridor Plc

3. The SWP Vision

We will:

- Drive material up the waste hierarchy and, where sustainable markets exist, into the circular economy*.
- Avoid landfill and encourage high participation in waste avoidance, reuse, recycling and food waste collection schemes.
- Engage with local people, support economic wellbeing and use efficient, sustainable and affordable solutions at every stage of the process.
- Encourage and facilitate innovation, joined up strategy, policy and operations across the county

*A circular economy is one where resources once used are not disposed of, but become feedstock materials or energy for making new products, thus reducing reliance on raw materials and waste disposal. A “closed loop process” is a variation of this where recovered materials are recycled into the same product. The benefits of a circular economy include reduced energy consumption, resource security and lower environmental impacts. A circular economy works most effectively where there are clear incentives for all persons on the loop (manufacturers, retailers, consumers, local authorities, reprocessors) to move the material around the loop.

4. Key Issues and Challenges

4.1 Service Development

This Business Plan will take forward the decisions made by the Somerset Waste Board and agreed by the partner authorities in the period December 2016 to February 2017. These decisions have the potential to result in significant changes both to the kerbside collection services and the residual waste disposal processes.

4.2 External Pressures

The period of constraint on the public purse continues and SWP will need to contribute to ongoing savings, while striving to maintain the scope and quality of frontline services.

4.3 National Policy Drivers

Withdrawal from the EU
The waste legislative framework may change following withdrawal from the EU. The UK government has not indicated future intentions in this area however there are no changes expected in the short term. There is now particular uncertainty about how the "Circular Economy" proposals for revisions to the EU waste Framework Directive will apply to the UK both in terms of the final detail of the ambitious recycling targets and the extent to which the UK will adopt / be affected them.

Department of Communities and Local Government (DCLG) and non-household waste charging
DCLG have (Autumn 2016) criticised some Local Authorities who are proposing to implement charges at Recycling Centres for disposal of DiY waste. This highlights a difference in interpretation between DCLG and many local authorities, including SWP, who consider that such waste is currently classified as "industrial" waste and thereby chargeable. This has not been tested in law. Should the DCLG interpretation prevail, the cost of reverting to a "free to user" service would equate to around £600k pa in Somerset. This exceeds the running costs of the eleven recycling sites that currently operate five days per week.

Community Recycling Sites
In 2015 DCLG brought in an Order to prevent local authorities from designating some sites (known in Somerset as "Community Recycling Sites (CRSs)") as provided under discretionary "wellbeing" powers within the Local Government Act 2003. This removed the option to introduce charges for entry to sites (even where this option was promoted by the community as an alternative to closure). The effect of this is that the charging at Dulverton and Crewkerne CRSs will not be permitted after April 1st 2020 and so SWB will need to consider how to deal with the funding gap opened up. It is proposed to do this as part of the Core Services Contract Review which will look at the way the whole Recycling Centre network is provided.

Producer Responsibility
The waste Services Industry body, the Environmental Services Association (ESA), who represent major contractors, has ramped up pressure for a national debate on the role of producers of packaging and retailers of packaged goods in covering costs of recycling. The circular economy proposals call for producers to cover the "entire" costs net of

income from sale of material and provided services are "optimised" (ie value for money). If this was taken up in the UK it would take some pressure off local authorities. SWP will continue to lobby for changes along those lines.

Department for Environment, Food and Rural Affairs (Defra) - Consistency in Collection Methodology
Defra's main interest, aside from improving the England recycling rate, continues to be promoting consistency in household recycling collections. WRAP published a paper in September 2016 in which Somerset is case studied. The proposed move to the "Recycle More" scheme would, by adding pots tubs and trays, further align Somerset to the list of materials WRAP and Defra advocate all local authorities collect.

4.4 Primary Contract Review

This business plan has a five year horizon. The Collection and Treatment contracts come to an end (unless extended) in 2021 and 2022 respectively. This means that it is within the horizon of this Business Plan to give consideration to future arrangements for the end to end delivery of waste services in Somerset.

In order to ensure an effective future service is in place a full review of options should commence in the financial year 2017 - 18.

It is considered a high risk that the collection contract costs may increase following re-procurement should the current contract go to term without extension.

5. Key Aims and Priorities for 2017/18

For the period of this business plan we will have three priority areas but recognise that significant projects are subject to a further decision making process.

5.1 Refuse Treatment

Assumes approval of proposals (subject to separate Somerset Waste Board and Partner Authority decisions).

Task	Description	Outcome/Target (completion by March 2018 unless otherwise stated)	Lead officer	Resource - Implementation Budget	Resource - People (internal)	Comment/ Risk
RefuseTreatment	Complete negotiation, plan and implement changes resulting from decisions taken regarding future processing of residual waste. Includes contract formalisation and oversight of development of Waste Transfer Stations.	New long term treatment process for Somerset's household residual waste. Timeline specified in separate SWB paper.	David Oaten	Outlined in separate SWB paper.	Outlined in separate SWB paper.	Outlined in separate SWB paper.

5.2 Recycle More

Assumes approval of proposals (subject to separate Somerset Waste Board and Partner Authority decisions).

Task	Description	Outcome/Target (completion by March 2018 unless otherwise stated)	Lead officer	Resource - Implementation Budget	Resource - People (internal)	Comment/ Risk
Recycle More	Planning and implementation of changes resulting from decisions taken regarding the future model of kerbside collection services. • Detailed Planning • Procurement – containers, vehicles and infrastructure • Communication • Collection containers • Depot infrastructure • Reprocessing arrangements	Commence implementation of any changes agreed in late summer/autumn 2017. Roll out schedule specified in separate SWB paper.	Bruce Carpenter	Outlined in separate SWB paper.	Outlined in separate SWB paper.	Outlined in separate SWB paper.

5.3 Other Projects, Task and Activities

These are projects which will be required to maintain the services provided by Somerset Waste Partnership

Task	Description	Outcome/Target (completion by March 2018 unless otherwise stated)	Lead officer	Resource - Implementation Budget	Resource - People (internal)	Comment/ Risk
SWP Capacity Review	The last significant review of SWP structure and resources took place in 2012. Following confirmation of direction of travel with the New Service model and the NWTF, or any alternative strategies, SWP staff resources will need to be aligned with the challenging key objectives over the period of change, whatever form / duration they take. In view of the partners' financial situation, the partners will require reassurance that the SWP establishment is fit for its purpose and priorities.	Resource plan in place to deliver major projects.	Steve Read	Staff time only	TBC	SWP team to be fully engaged in process.

Cash Free Recycling Sites – Roll Out	Following the successful cashless pilots at Chard & Taunton Recycling Centres it is proposed to roll this out to all 16 Recycling Centres/Community Recycling Sites in the county. This is proposed in order to increase site security and reduce the possibility of break ins.	All Recycling Centres and Community Recycling Sites operating a cash free environment by end of year.	David Oaten	£2.5k	Liaison with site operator; project management; prepare publicity and website updates.	
Core Service Contract Review	With the current Core Services Contract due to expire at the end of March 2022 it is considered timely to formally review the worth of the 'up to 9 year extension' available under the current contract and what arrangements would need to be in place subsequent to that date.	Documented review of core services, with proposals for future arrangements presented to SWB by March 2018	David Oaten	Staff time only	Review current services, including benchmarking and analysis of potential cost/benefits and savings	
Collection Service Contract Review	With the current Collection Services Contract due to expire October 2021 it is considered timely to formally review the worth of the 'up to 7 year extension' available under the current contract and what arrangements would need to be in place	Review collection service contract and consider options for future arrangements	Colin Mercer	Staff time only	Investigate options for delivery of future service arrangements, considering benefits and potential of maintaining	

	subsequent to that date.				current arrangements against other options	
Recycling Centre Essential Maintenance Works	Despite the current challenging financial situation faced by SWP Partner authorities, a number of the Recycling Centre network sites are in need of essential maintenance in order to prolong the sites useful life. One site requiring urgent attention is at Frome, where the skip bays are degrading to a degree that they are becoming untenable. Without such maintenance the site may become unusable.	Sites serviced to acceptable level by end of March 2018	David Oaten	Costs to be covered by planned maintenance budget.	Survey sites; identify required actions; arrange contractor; monitor and inspect works.	Risk of sites becoming unusable if no action taken.
Recycling Centre Van & Trailer Permit Review	Following the successful roll out of the van and trailer permit scheme in October 2016, a formal 6 month review to determine whether there should be any minor amendments to the current process.	Review of current arrangements and proposed revisions to June 2017 SWB meeting	David Oaten	£10k to cover ongoing permit requests and publicity for any changes to current scheme (from disposal budget	Review feedback from residents, site staff, customer service teams etc; prepare report for SWB; publicise	Commitment given to review at September SWB meeting.

				savings)	changes as required	
Provision of COTC Management - Securing Additional Third Party Sites	The SWP has a number of Certificate of Technical Competence holders to ensure its capability in managing the network of waste facilities under its current contracts. In order to extend the value of the COTCs, SWP have managed, on behalf of Somerset Highways, a number of third party sites for the past 6 years and have recently secured a further 6 year contract. With a growing reputation of providing a good level of service in this area it is proposed to try and secure additional third party sites in order to derive a larger income to the Partnership. SWP have recently secured two additional sites that we now manage on behalf of the Environment Agency.	Agreements raised for inspection of two additional sites by end of March 2018	David Oaten	Staff time only	Liaison with site "owners"; preparation of agreements; commence inspections as required	Potential revenue generation for partners.
Collection Service – Depot Review	Review current depot provision with a view to optimise operations in the west of the county.	Plan for future depot structures completed by	Bruce Carpenter/ Colin	Staff time only	Consider future service requirements; model	

		March 2018	Mercer		optimised locations and infrastructure (cost, resilience and operation efficiency); Document findings	
SWP IT Strategy	To develop and commence implementation of a programme of improving SWP use of IT to support improvements in efficiency and service control. To include improving oversight of quality of contractor planning and output data; increasing "self-service" opportunities; rationalising duplication and other inefficiencies. This will include implementation of a new SWP Customer Service System; a redesign and restructure of the SWP website; improvements to household property data; enhancements to	Document produced and presented to SWB; Procurement of new systems progressed	Mark Blaker	£20k imple-mentation budget	Identify business processes and best practice; investigate current IT market; case study other local authorities; document proposed solutions; present to to SWB; commence procurement.	Improve efficiency and effectiveness of client group; ensure client group prepared to changes anticipated over next five years.

	data processing capabilities. **Resource: £20k**					
Asset Audit Risk Reduction	To asses ownership of assets in the collection contract and where appropriate look for SWP to secure ownership of assets currently sitting with the contractor. Also to look at where appropriate securing these assets beyond contract term to ensure greater surety and control of risk going forward. **Resource: Staff time only**	Ensure we have a fully documented register of service assets by October 2017; ensure procedures developed to maintain register	Colin Mercer	Staff time only	Work with Kier to identify assets, asset location, state of assets, assumed value of assets.	
SWP Offices	Somerset County Council's lease for Monmouth House expires in March 2018. At this point SWP will need to have either extended current arrangements, relocated to County Hall or have found alternative accommodation. It will be necessary to confirm future accommodation arrangements.	To have a plan for accommodation beyond March 2018, including budget for relocation if necessary and agreed by SWB by September 2017.	Helen Oaten	Budget Implications to be presented to SWB separately	To identify options, compare costs and benefits, present to SWB in December as part of Business Planning process	

Continuing Waste Minimisation Initiatives	To include Food Waste Champions, Compost Champions and other ongoing community engagement activities designed to encourage waste reduction.	To continue community engagement through Food Waste and Compost Champions and other community initiatives.	David Mansell	£3k	Liaison with current groups; recruiting volunteers; arranging training and events; administrating and providing support.	Ongoing projects
Publicity and Communication	Promotion of service changes (including Christmas and Easter changes), print and distribution of key service literature, maintenance of SWP website and support for waste minimisation promotions. Note: this does not include the considerable additional communications programme required to support the "Recycle More" scheme.	All commitments met throughout the year using the most effective and cost effective means available	Mark Blaker	£29k	Press releases; print adverts; website content; leaflets; etc	Ongoing commitments

Financial Pressures

In all considerations Somerset Waste Partnership will recognise the current and ongoing financial pressures facing partner authorities. Cost effectiveness and identifying opportunities to reduce overall costs must be at the heart of all decisions taken.

7. SWP Budget 2017 - 22

The tables on the following pages show the projected five year budget for Somerset Waste Partnership if the current service model does not change in future years, effectively a “do-nothing” scenario with estimated inflationary indices based on contractual agreements. As noted above, SWP recognises the financial pressures facing partners.

7.1 Revenue Not Included

Control of income from residents for waste related services is retained by the collection authorities and is therefore not shown in this paper. The most significant portion of this is annual Garden Waste subscriptions, which will generate income for the district council of around £53.50 for each wheeled bin subscription in 2017/18. This is a significant offset of the cost of providing the service. Other income streams are Bulky Waste collection fees and sale of Garden Waste sacks.

7.2 Full Draft Budget Summary 2017/18

Summary Draft Annual Budgets 2017/2018

Rounded £000s	Total	SCC	MDC	SDC	SSDC	TDBC	WSC
Expenditure		£000s	£000s	£000s	£000s	£000s	£000s
Salaries & On-Costs	962	477	111	109	153	106	6
Other Head Office Costs	230	105	25	27	38	26	9
Support Services	125	54	14	15	22	15	5
Disposal - Landfill	10949	10949					
Disposal - HWRCs	9522	9522					
Disposal - Food waste	1447	1447					
Disposal - Hazardous waste	227	227					
Composting	1680	1680					
Kerbside Recycling	8868		1841	1824	2715	1780	708
Green Waste Collections	2374		464	588	662	557	103
Household Refuse	6001		1238	1222	1816	1240	485
Clinical Waste	116		24	25	35	24	8
Bulky Waste Collection	81		18	15	22	18	8
Container Maintenance & Delivery	220		47	42	70	49	12
Container Supply	432		92	89	140	93	18
Pension Costs	69		2	2	62	2	1
Depot Costs	186		38	40	56	39	13
Village Halls	6			6			
Transfer Station Avoided Costs	310	310					
Recycling Credits	2430	2430					
Capital Financing Costs	231		52	41	78	39	21
Total Direct Expenditure	46466	27201	3966	4045	5869	3988	1397
Income							
Sort It Plus Discounts	-80		-16	-17	-24	-17	-6
Transfer Station Avoided Costs	-310		-63	-67	-93	-65	-22
May Gurney Secondment Saving	-44	-20	-5	-5	-7	-5	-2
Recycling Credits	-2402		-501	-488	-743	-487	-183
Total Income	-2836	-20	-585	-577	-867	-574	-213
Total Net Expenditure	43630	27181	3381	3468	5002	3414	1184

Summary Draft Annual Budgets

Rounded £000s	2017/18	2018/19	2019/20	2020/21	2021/22
Expenditure	£000s	£000s	£000s	£000s	£000s
Salaries & On-Costs	962	972	982	992	1002
Other Head Office Costs	230	210	210	210	210
Support Services	125	125	125	125	125
Disposal - Landfill	10949	11559	12105	12675	13271
Disposal - HWRCs	9522	9911	10308	10728	11164
Disposal - Food waste	1447	1501	1569	1641	1716
Disposal - Hazardous waste	227	240	255	271	288
Composting	1680	1813	1956	2110	2277
Kerbside Recycling	8868	9119	9378	9644	9917
Green Waste Collections	2374	2441	2511	2582	2655
Household Refuse	6001	6171	6346	6525	6710
Clinical Waste	116	119	123	126	130
Bulky Waste Collection	81	83	84	86	88
Container Maintenance & Delivery	220	226	233	240	246
Container Supply	432	445	457	470	483
Pension Costs	69	70	70	71	72
Depot Costs	186	186	186	186	186
Village Halls	6	6	6	6	6
Transfer Station Avoided Costs	310	315	320	324	329
Recycling Credits	2430	2503	2578	2655	2735
Capital Financing Costs	231	231	231	231	231
Total Direct Expenditure	46466	48246	50033	51898	53841
Income					
Sort It Plus Discounts	-80	-80	-80	-80	-80
Transfer Station Avoided Costs	-310	-315	-320	-324	-329
May Gurney Secondment Saving	-44	-44	-44	-44	-44
Recycling Credits	-2402	-2474	-2548	-2625	-2704
Total Income	-2836	-2913	-2992	-3073	-3157
Total Net Expenditure	43630	45333	47041	48825	50685

Assumptions
1% annual pay award for all years
1.39% housing growth in 2017/18, then 1% annually for years 2018/19 - 2021/22
Collection contract inflation 1.18% in 2017/18, then 2% annually for years 2018/19 - 2021/22
Disposal contract inflation between 1% & 6.3% (for different contract areas), annually in all years (2017/18 - 2021/22)
Tonnage growth 1.5% annually for all years (2017/18 - 2021/22)

Somerset Waste Partnership - Risk Register 2017 to 2018 (draft)
Primary Risks

Ref	Area	Risk	Effect	Raw Score Impact	Raw Score Prob.	Raw Score score	Mitigation planned	Mitigated Score Impact	Mitigated Score Prob.	Mitigated Score score	Future Actions	Target Impact	Target Prob.	Target Aim
R1	Financial	Pressure to reduce budgets places existing services under financial pressure.	Services may have to change or service providers have to save money by adjusting the service offered.	Med	Hi		Work with contractors to either reduce costs or change service offer to be more affordable.	Lo	Hi		Under guidance from the SWB , agree with contractors delivery of savings.	Lo	Hi	
R2	Financial	Waste growth per household leads to increased volumes of waste requiring collection and/or treatment/disposal	Budget pressure created by increasing waste volumes.	Med	Hi		Implement cost effective treatment and disposal methods. Continued public engagement and interventions to encourage diversion.	Lo	Hi		Meet with suppliers to discuss how to deliver efficiencies. Consider potential for waste to increase during implementation of new service model.	Lo	Hi	
R3	Political	DCLG continues challenge innovation in funding Recycling Centres	Potential to reduce services provided or lead to increased costs.	Med	Hi		Continue to base policy on performance, popularity, effectiveness and affordability. Work with members from all tiers of local government to seek flexibility to ensure continuity of services.	Med	Med		Keep members, and particularly Board Members, informed especially following changes to administration or portfolio holders.	Med	Med	
R4	Political	Political priorities can and will change over time.	Political priorities change. SWP directed to change strategic and operational priorities.	Med	Med		Ensure members are aware of the social, environmental and financial impacts of SWPs services. Keep up to date with latest thinking to ensure opportunities to innovate are not	Med	Med		Keep members informed especially following changes to administration or portfolio holders.	Med	Med	
R5	Organisational	Part time Head of Service	Part time Head of Service is not ideal, especially at a time of major service review.	Med	Med		Ensure workload is planned to deliver the highest priorities and staff are empowered to work effectively and efficiently.	Med	Med		Delegate effectively to Senior Management Team.	Lo	Lo	
R6	Operational	Ability of contractors to deliver is reduced or compromised	As pressure is placed on contractors to deliver more with less service may suffer resulting in increased complaints.	Med	Hi		Ensure SWP carries out sufficient monitoring to keep the contractor focused on meeting contractual standards.	Med	Med		Regular meetings with contractors to keep service levels under review and to joint plan developments.	Med	Lo	
R7	Operational	IT Systems - obsolescence and compatability	Inefficiencies due to inadequate IT systems	Lo	Hi		Work with ICT units to improve compatability. Encourage contractors to invest in appropriate infrastructure.	Lo	Med		Keep systems under review.	Lo	Lo	

R8	Operational	Driver shortages	Impact on service delivery if not all rounds deployed. Quality of delivery suffers where inexperienced drivers employed in service delivery.	Hi	Med		Work with contractors to ensure they have policies in place for driver training and retention.	Med	Med		Seek opportunities to improve role of drivers. Work with local collecges to promote driving as a career option.	Med	Med	
R9	Environmental	Weather related	Service disruption caused by weather. Risk of extended localised disruption caused by flooding.	Med	Med		Follow procedures to ensure least disruption to services.	Med	Med		Review and update procedures in light of experience.	Med	Med	
R10	Commercial	Capacity of contractors to develop/improve services/ make new proposals	As service providers broaden their scope resources can be stretched and other areas may be prioritised; performance and commitment to service development may suffer	Med	Med		Work with service suppliers to ensure changes are managed with appropriate resources and services and delivered to expected level.	Med	Lo		Ensure that expectations are made clear and embedded in contractor meetings	Lo	Lo	
R11	Financial	National Spending Review - uncertainty over where potential cuts to DCLG budget will fall	Strategic plans based on a short horizon, resulting in short term decisions where longer term planning would be better.	Med	Med		Plan service maintenance and development with long horizon in mind but consider alternatives. Flag risks as appropriate to MD, SMG or Board	Lo	Lo		Where relevant maintain log of service changes that could be reviewed in future subject to affordability.	Lo	Lo	
R12	Political	New service model review results in differing collection service models across Somerset.	Inability to implement county wide service model, resulting in implementation delays and suboptimal financial savings	Hi	Med		Ensure decisions are based on sound business case information, highlighting risks as appropriate, by ensuring SMG, SWP and partner authorities are clearly informed of the full facts.	Med	Med		Seek alternative implementation timescales through the planning process to allow further discussion and debate.	Med	Lo	
R13	Operational	SWP resource capacity insufficient to deliver major changes and maintain service levels	Degradation of current service support, resulting increased complaints. Sub standard planning and implementation of any significant changes.	Hi	Med		Ensure Business Case for major changes includes full outline of resource requirements to deliver the changes so budget is available for support..	Lo	Med		Ongoing review of SWP client team structure and priorities.	Lo	Lo	
R14	Operational	Future service model may have unforeseen impacts	Unforeseen issues arise when introducing a new service model to 240,000 households in Somerset resulting in costs or complaints.	Med	Med		Full risk and impact assessments of NSM proposals to ensure key risks are identified and mitigation put in place.	Med	Lo		Constant review of arising risks through roll out of any service changes	Lo	Lo	
R15	Operational	Site infrastructure ages and degrades	Infrastructure at fixed site, particularly recycling sites, degrades to the point where it is hazardous to site staff or members of the public.	Med	Med		Ensure ongoing programme of site inspection, identification of issues and prioritisation of maintenance and repair based on assessed potential impact.	Lo	Med		Review Health and Safety inspection procedures to ensure risks identified and highlighted efficiently	Lo	Lo	

R16	Operational	Collection infrastructure degrades to point of unreliability	Aging collection fleet reaching the end of its expected service life beciomes prone to mecahnical issues, resulting in failure to collect waste from households and transport it to disposal/bulking points. Aging balers/bulking facilities result in failure to offload materials causing bottleneck at bulking facilities.	Med	High		Ensure ongoing programme of monitoring service issues resulting from mechanical failures. Proceed with vehicle procurement programme, regardless of outcome of New Service Model decisions.	Med	Med		Procure replacement collection fleet. Ensure contractor meeting requirements to provide fit for purpose infrastructure.	Lo	Lo	
R17	Operational	Contractors fail to deliver service to expected service standards	Unspecified issues result in failure to deliver services to contractual standards resulting in increased complaints and increased cost of processing and managing complaints.	Med	Med		Ensure contractors are addressing issues of repeat failure (failure demand) and that supervisory arrangements are as required by the contract.	Lo	Med		Progress with plans to fit trackers to collection vehicles.	Lo	Lo	
R18	Operational	Contractor lacks capacity (skill/experience/resource) to deliver service change effectively	Contractor skill base inadequate to plan and implement complex service change resulting in problems with service in the aftermath of implementation.	Med	High		Ensure contractors are briefed on requirements well in advance. Ensure contractor planning is scrutinised by suitably skilled SWP staff.	Lo	Med		Review contractor's skill base at regular operational meetings and agree actions to ensure it remains adequate in all areas.	Lo	Lo	
R19	Operational	Focus on service development detracts from day to day service delivery focus.	Monitoring and management of contractors reduces to point where service delivery fails resulting in increased complaints.	Med	Med		Ensure full resource allocation plan in place for whole of SWP, optimising staff time in all areas and identifying and mitigating pressure points well in advance. Short term recruitment of adequate staff to cover requirements.	Lo	Lo		Ongoing monitoring of requirements. Ensure staff are skilled to cover certain aspects of other roles as necessary.	Lo	Lo	
R20	Social	Increase in care in the community for people with clinical needs results in significant and sudden increase in demand for household clinical waste collections.	Pressure on current service model; Contractor requests review of contracted price resulting in increased costs.	Low	High		Review structure and role of clinical waste service. Seek cost effective alternatives.	Lo	Med		Build relationships with Health and Social Care teams to predict and plan for future demand.	Lo	Lo	
R21	Hinkley C	Congestion from construction traffic may impact on collections	Alter times of collections or result in missed collections	Hi	Hi		Engagement with contractor and highways to assess risk and plan times and routes to avoid identified problems	Hi	Med	Hi	Continue to engage with appropriate bodies and respond quickly to any new or changed circumstances	Med	Med	

Executive,09 Feb 2017, Item no. 5, Pg 27

R22	Hinkley C	Increased demand from short term population growth during construction phases	Demand increases cost to SWP for providing the service	Hi	Hi		Engagement with appropriate bodies to identify level of growth and areas impacted	Med	Med	Hi	Engage with contractor to seek confirmation that most of the waste produced by the direct population growth as a result of the construction is dealt with by the contractor	Lo	Med	
R23	Hinkley C	Staff shortages through increased and more attractive employment opportunities through the construction phases to build the power station	Difficulty in attracting or keeping sufficient staff to provide the service	Hi	Hi		Establish pay rates and identify areas of concern	Med	Med	Med	Continue to monitor pay rates and seek to promote and improve conditions and benefits of working in our service	Med	Lo	

AGENDA ITEM NO. 6

Taunton Deane Borough Council

Executive – 9 February 2017

Hinkley Point C: Housing Funding Strategy (Phase 2)

This matter is the responsibility of Executive Councillor Terry Beale

Report Author: Lisa Redston- Community and Housing Lead (HPC).

1 Purpose of the Report

1.1 The purpose of this report is to present the Phase 2 Hinkley Point C Housing Fund Strategy and to seek approval of the strategy.

2 Recommendations

2.1 The Executive be recommended to approve the principles and outline expenditure as set out in the Phase 2 Hinkley Point C Housing Fund Strategy.

2.2 The Executive be also recommended to delegate responsibility for approving minor amendments to the plans for expenditure set out in the Phase 2 Hinkley Point C Housing Fund Strategy to Executive Councillor Beale, in consultation with the Assistant Director – Housing and Communities and, where appropriate, with the Chairman or Vice Chairman of the Community Scrutiny Committee.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
Joint initiatives across all 3 authorities - need to balance resources, priorities or focus from delivery partners to ensure partners targets are met	2	3	6
Clear and regular performance monitoring to ensure issues are identified and addressed early.	*1*	*3*	*3*
Competing agendas across the districts, compounded by different perspectives at varying levels of project management may lead to confusion or threaten partnership approach	3	4	12
Clarity and openness over lines of engagement	*2*	*4*	*8*
Uncertainty within the voluntary and community sector due to lower levels of available funding, delivery partners unable to complete contracts	*3*	*4*	*12*
Regular performance monitoring and communication with partners to identify threats.	*2*	*2*	*4*

3.1 The scoring of the risks identified in the above table has been based on the WSC and TDBC council's risk assessment scoring matrix. Only those risks that score medium or high are detailed in this report. The full risk assessment is available on request from the CIM Fund Manager.

4 Background

4.1 In January 2012 West Somerset Council granted planning permission to EDF Energy to undertake Site Preparation Works at the Hinkley Point C site. Under the Section 106 planning obligations agreement **£4m of funding** was secured to deliver additional housing capacity in West Somerset and Sedgemoor. with the aim of mitigating any potential adverse effects on the local private rented and low cost housing market and particularly for those on lower incomes that might arise as a result of the Hinkley Point C development.

4.2 The aim of the funding is to mitigate any potential adverse effects on the local private rented and low cost housing market, and particularly the ability of those on lower incomes to access local housing, that might arise as a result of the Hinkley Point C development.

4.3 The £4m of funding secured through the Site Preparation section 106 agreement became available to West Somerset Council and Sedgemoor District Council in May 2014.

4.4 A further **£3.5m of funding** became available in June 2016 when EDF Energy transitioned from the Site Preparation Works planning permission to the Development Consent Order (DCO). This additional funding was secured to deliver additional housing capacity in West Somerset, Taunton Deane, Sedgemoor and North Somerset.

4.5 In 2014 West Somerset and Sedgemoor District Councils worked in partnership to develop a Joint Hinkley Housing Fund Strategy (Phase 1) which was approved by West Somerset Full Council in November 2014, with further detailed proposals approved in January 2015.

4.6 The Hinkley Point C Housing Fund Strategy (Phase 2):

4.6.1 Provides an update on the Phase 1 Hinkley Point C Housing Fund Strategy, approved by West Somerset Council in November 2014;

4.6.2 Presents proposals for the allocation of the remaining Hinkley Point C Housing Fund made available to West Somerset Council through the Site Preparations Works section 106 agreement; and

4.6.3 Presents proposals for the allocation of new funds made available to West Somerset Council and Taunton Deane Council through the Hinkley Point C DCO section 106 agreement.

5 Hinkley Point C Housing Funding Strategy (Phase 2)

5.1 The Hinkley Point C Housing Funding Strategy submitted for approval is attached as an Appendix to this report.

6 Links to Corporate Aims / Priorities

6.1 The allocation of these funds will enable the Council to deliver against the Corporate Priorities of '*Affordable Housing*- Work with partners to deliver affordable housing; tackle empty homes; promote an increased supply of private rented stock. The strategy specifically delivers the priorities by: 'Increase the availability and affordability of homes for local people - to both buy and to rent' and 'Mitigate negative impacts on the community from the construction phase of Hinkley Point C'.

7 Finance / Resource Implications

7.1 Taunton Deane's funding is available under the Development Consent Order (DCO) and so can only be used for the purpose of delivering additional housing capacity in Taunton Deane as set out in the agreement.

7.2 Where possible, the use of the funding should remain flexible to allow the chosen schemes to adapt to demand and ensure the best use of the funding. The use of recyclable loans where possible is encouraged as this allows funding to be reinvested and further bed spaces created in the medium term.

7.3 The impact of HPC on housing need in Taunton Deane needs to carefully monitored over the period to examine both the demand linked to HPC and to ensure the effectiveness of the proposals. If demand is higher than anticipated, further funding should be sought from the Housing Fund Contingency Payments.

8 Legal Implications

8.1 Funds for use in Taunton Deane are due from the developer (EDFe) due to the signing of the Hinkley Point C Deed of Development Consent (21/08/2012).

8.2 Taunton Deane Borough Council shall take into account the objectives of the funds and decision making criteria as set out in these legal agreements when approving expenditure.

9 Environmental Impact Implications

9.1 There are not considered to be direct implications of approving the Hinkley Point C Housing Fund Strategy (Phase 2). However, there are obviously environmental impacts associated with the wider proposed development of Hinkley Point C. These have been assessed within the Environmental Statement submitted by NNB Genco with the application to carry out Site Preparation Works at Hinkley Point C (West Somerset Council Planning Application No: 3/32/10/037) and mitigation measures have been secured.

9.2 Delivery partners are encouraged to ensure they are delivering services in a way that reduces impacts on the environment and encourages reducing carbon emissions and improving energy efficiency.

9.3 Some initiatives proposed within the Strategy, such as empty homes and improvement grant and loans encourage landlords to improve the energy efficiency of their properties.

10 Safeguarding and/or Community Safety Implications

10.1 Delivery partners are encouraged to consider the promotion of community safety and community cohesion as part of their project.

10.2 Delivery partners that provide facilities or services to families, young people or vulnerable adults are required to provide evidence of their policies and procedures relating to safeguarding, and in particular the requirement for their staff to be appropriately trained and DBS checked.

10.3 The requirement for delivery partners to adhere to Safeguarding legislation and to ensure necessary checks are carried out to ensure the suitability of staff or volunteers involved in the project are included in Service Level Agreements for each initiative.

11 Equality and Diversity Implications

11.1 Members must demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

11.2 Delivery partners are required to ensure their initiative will promote equal opportunities and will be accessible to all people in the community regardless off background, ability or personal circumstances.

11.3 Housing Initiatives that restrict access on the grounds of age, gender, race, sexual orientation, beliefs, background, ability or personal circumstances are unlikely to be funded. Unless the reasons for doing so can be 'objectively justified'.

11.4 Delivery partners are required to provide a copy of their Equal Opportunity Policy to demonstrate awareness of their responsibility to deliver accessible services that advance equality.

11.5 The initiatives within the Hinkley Point C Housing Fund Strategy (Phase 2) are designed to promote equality of opportunity for all members of the community when accessing housing and accommodation.

12 Social Value Implications

12.1 The initiatives proposed within the strategy offer extensive social value and additional benefit to the community such as identifying routes for service users into training and employment, signposting to a range of services such as debt advice and mental health support, offering training in money management and opportunities for volunteering.

13 Partnership Implications

13.1 West Somerset Council, Sedgemoor District Council and Taunton Deane Council will work together with a wide range of local partner's organisations to ensure the successful delivery of the initiatives with the Strategy. Where necessary partnership agreements and service level agreements will be put in place to ensure that roles and responsibilities are clear, targets are agreed and regular monitoring takes place to reduce risk to delivery.

14 Health and Wellbeing Implications

14.1 The initiatives within the Strategy are designed to assist local people to access decent standard, affordable and sustainable accommodation and therefore help to improve health and social and emotional wellbeing.

15 Asset Management Implications

15.1 There are no asset management implications as a result of these recommendations.

16 Consultation Implications

16.1 In developing this Strategy officers have consulted with a wide range of partners to ensure the initiatives will respond to and reflect the needs of the community due to the impacts of Hinkley Point C on the local housing market. Partners consulted include:

- West Somerset Housing Forum (Magna, Knightstone Housing, Falcon Rural, Hastoe, West Somerset Advice Bureau, YMCA, Wisermoney, West Somerset Advice Bureau, Taunton Association for the Homeless, Aster, Hope Centre, Forum 21).,
- Somerset Voluntary Sector Strategic Forum.
- Feedback from customers involved with Phase 1 of Hinkley Point C: Housing Funding Strategy.
- SDC, TDBC, WSC Housing Options teams.
- Somerset West Landlord and Tenant Services (SWeLT)
- EDFenergy

17 Scrutiny Comments / Recommendation(s)

17.1 This report contains recommendation to Scrutiny.

Democratic Path:

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

Reporting Frequency: **Annual**

List of Appendices (delete if not applicable)

Appendix A	**Hinkley Point C Housing Fund Strategy (Phase 2)**
Appendix B	**Equality Impact Assessment**

Contact Officers

Name	Lisa Redston, Community and Housing Lead – HPC	Name	Christine Davies, Housing & Community Strategy Officer
Direct Dial	01984 635218	Direct Dial	01823 356312
Email	lredston@westsomerset.gov.uk	Email	c.chuhuidavies@tauntondeane.gov.uk

Hinkley Point C
HOUSING FUND STRATEGY
Phase 2

DRAFT

January 2016

Executive Summary

This strategy provides an update on the Phase 1 Hinkley Point C Housing Fund Strategy (approved by West Somerset Council November 2014), and presents proposals for the allocation of the remaining Hinkley Point C Housing Fund made available to West Somerset Council through the Site Preparations Works section 106 agreement and proposals for the allocation of new funds made available to West Somerset Council and Taunton Deane Council through the Hinkley Point C DCO section 106 agreement.

Contact details:
Lisa Redston: lredston@westsomerset.gov.uk; Tel: 01984 635218
Christine Davies: c.davies@tauntondeane.gov.uk; Tel:01823 356312
Beccy Brown: bbrown@westsomerset.gov.uk; Tel: 01984 635314

1. BACKGROUND

1.1 In January 2012 West Somerset Council granted planning permission to EDF Energy to undertake Site Preparation Works at the Hinkley Point C site. Under the Section 106 planning obligations agreement **£4m of funding** was secured to deliver additional housing capacity in West Somerset and Sedgemoor.

1.2 The aim of the funding is to mitigate any potential adverse effects on the local private rented and low cost housing market, and particularly the ability of those on lower incomes to access local housing, that might arise as a result of the Hinkley Point C development.

1.3 The £4m of funding secured through the Site Preparation section 106 agreement became available to West Somerset Council and Sedgemoor District Council in May 2014.

1.4 A further **£3.5m of funding** became available in June 2016 when EDF Energy transitioned from the Site Preparation Works planning permission to the Development Consent Order (DCO). This additional funding was secured to deliver additional housing capacity in West Somerset, Taunton Deane, Sedgemoor and North Somerset.

1.5 Of the £3.5m the following amounts are ring-fenced for each Council area.

- West Somerset £500,000
- Taunton Deane £660,000
- Sedgemoor £1,000,000
- North Somerset £697,000

1.6 The remaining £643,000 is available for the all 4 Councils to bid for once the individual ring-fenced amounts have been allocated based on areas of need and the location of HPC workers.

1.7 From these ring-fenced amounts each authority is able to allocate a maximum of £60,000 for the purpose of employing housing staff to support the implementation of the initiatives.

2. Likely impacts of Hinkley Point C on the local housing market

2.1 The EDFe Accommodation Strategy identified the likely sources of accommodation to be utilised by the Construction Workforce. The table below demonstrates the initial early demand for accommodation and potential impacts on the local housing market.

2.2

Accommodation Type	Peak Construction Workers Accommodated	Impacts
Accommodation Campus	1,450 (96% occupancy rate of 1510 units)	• Current workforce profile indicates current workforce on site at 1000, rising to 1500 in March 2017 and to 3400 on site in October 2017. • HPC on site campus 500 bed spaces – due for completion 2018. • HPC Bridgwater campus 850 bed spaces – due for completion 2018
Private Rented Sector	750	• Competition for smaller, cheaper properties, may reduce available supply to local residents and/or drive up rents at the lower end.

		• Demand likely for furnished properties.
"Latent" Accommodation e.g. spare rooms	400	• Potential significant supply unused "spare" rooms. • Potential supply of empty properties that could be brought back into use.
Tourist Accommodation	600	• Likely preference for un-serviced accommodation – campsites, caravans, holiday dwellings • Potential for planning issues. • Demand and supply dependant on seasonal activity. Potential impacts on Tourism.
Owner Occupied Housing	500	➢ Combined market impact of owner occupier and investment demand for properties rather than HPC workforce alone.
Total	3,700	

2.3 Current indications show a likely increase in the number of non-home based constructions workers at peak due to the much tighter local labour market and very limited unemployment. There is potential that this will significantly increasing pressure on the local housing markets in West Somerset, Sedgemoor and Taunton Deane.

2.4 Evidence also suggests:

- The majority of the HPC construction workforce will be single people, increasing competition for **smaller and cheaper** accommodation; existing demand for 1 bedroomed accommodation comprises around 50% of the Homefinder Somerset Housing Register.
- The construction workforce is likely to be influenced by housing and travel costs, hence looking for cheaper properties at the lower end of the market, with a preference for proximity to the Hinkley bus routes and the Park and Ride sites at Bridgwater and Williton to reduce travel costs essentially increasing demand in the area closest to the site and its immediate surrounds.
- As the construction workforce is more transient they are likely to be looking for furnished accommodation – furnished rooms, or co-renting shared furnished housing with colleagues. For various reasons (insurance, cost, servicing) furnished housing is unattractive to landlords in the current market.

3. Additional challenges and impacts on Housing

3.1 The introduction of universal credit, local housing allowance and single room allowance adds an additional layer of impact on the ability of those on lower incomes to access accommodation.

3.2 Local Advice Bureau's and the Council's Housing Options service have identified that the 6 week delay in accessing financial help through universal credit and requirements for applicants to have access to a bank account and postal address are significant barriers in accessing accommodation.

3.3 Citizens Advice Bureau (CAB) data reveals the high numbers of local residents with housing issues whose situation could be further exacerbated by HPC workers taking up valuable PRS spaces and thus inflating rents that are beyond the means of local people.

3.4 Single homeless & rough sleepers are single people with health or life skill challenges but who are not considered vulnerable enough to be considered to be in priority need and therefore access support. The typical profile of a single homeless client is someone with one or more support needs, principally alcohol and drug abuse and health problems. Numbers of single homeless people and rough sleepers are rising in Taunton Deane. There are currently gaps in provision for those with complex needs.

3.5 Homelessness applications in Taunton Deane are rising year on year with the Housing Options team working with 428 individuals in 15/16 and already working with 502 individuals between April and December 2016.

3.6 Further data supporting this information is available in **Appendix C**.

4. Update on Phase 1 Hinkley Housing Fund Strategy (November 2014)

4.1 In 2014 West Somerset and Sedgemoor District Councils worked in partnership to develop a Joint Hinkley Housing Fund Strategy which was approved by West Somerset Full Council in November 2014, with further detailed proposals approved in January 2015.

4.2 The proposals were developed in response to a wide range of documentary evidence, including the EFDE Accommodation Strategy, Local Impact Report, Corporate and Housing Strategies of both authorities, Strategic Housing Market Assessments, ongoing housing market data, and in consultation with strategic and front-line officers in a range of organisations providing housing related services in the areas likely to be impacted.

4.3 The Strategy proposed a number of detailed joint housing initiatives with the aim of delivering 4 key outcomes:

1. ***To increase capacity in the private rented sector*** *where the impact is most likely to be felt*
2. ***To maintain tenants in their current tenancies*** *to prevent homelessness and reduce "churn" in the housing market*
3. ***To make better use of existing accommodation*** *to maximise occupation*
4. ***To make joint bids whenever appropriate*** *building on our well-established partnership approach and strategic joint working processes*.

4.4 The inter-dependant initiatives were designed to alleviate pressures on all sectors of the local housing markets by increasing the number of bed-spaces in the market place and to support people in accessing and maintaining accommodation, especially low cost accommodation. An explanation of each of the initiatives is available in **Appendix A.**

4.5 The Site Preparation Works Section 106 agreement did not indicate a target number of bed spaces to be delivered, however the DCO Section 106 agreement states that the £4m provided through the Site Preparation Works s106 would be "sufficient to provide a minimum of 800 additional bed spaces in Sedgemoor and West Somerset".

4.6 Based on expected demand in each Council area and thresholds for vacant bed spaces in the private rented sector housing market the target of 800 bed spaces to be achieved with the Site Preparation funding has been allocated as below:

- West Somerset 250
- Sedgemoor 550

4.7 Bed space definitions are included in **Appendix B.**

4.8 The following table provides a summary of the initiatives funded during Phase 1 detailing the amount of funding allocated and the performance against the targets set for each initiative. A description of the service or activity provided by each initiative is provided in **Appendix A.**

Summary and Update on initiatives agreed during Phase 1 Strategy (as of 1st December 2016)

	Initiative	Total amount approved (incl 5% admin)	SDC Target	SDC Actual	WSC Target	WSC Actual	SDC budget	WSC budget	Start / End Date	Delivery partner
Creating New Bed Spaces in the Market - Initiatives	Empty Homes Grant	£141,750.00	15	34	8	3	£90,000.00	£45,000.00	Nov 15- Jul 17	SC&R
	DIY Empty Homes	£110,250.00	12	5	5	5	£75,000.00	£30,000.00	Aug 15- Aug 17	WHIL
	Living Over the Shops	£204,750.00	30	See Empty Homes	8	5	£150,000.00	£45,000.00	Nov 15- Jul 17	SC&R
	Minor Improvement Grant	£42,000.00	30	80	10	0	£30,000.00	£10,000.00	Jun 15- Jun 17	SWeLT
	Minor Improvement Loan	£105,000.00	See above	See above	See above	See above	£75,000.00	£25,000.00	As above	WHIL & SWeLT
	1st Time Buyer Loan	£105,000.00	12	5	12	3	£50,000.00	£50,000.00	Nov 15- Nov 17	WHIL
	Lodgings Scheme/ Rent a Room	£126,000.00	100	154	50	38	£80,000.00	£40,000.00	Jul 15- Jul 17	YMCA
	Sustainable Management Scheme	£168,000.00	80	90	20	5	£96,000.00	£64,000.00	Dec 15- Dec 17	TAH
	Home Move Plus	£60,000.00	0	0	60	53	£0.00	£60,000.00	May 15- May 17	Magna
	Totals	**£1,062,750.00**	**279**	**368**	**173**	**112**	**£646,000.00**	**£369,000.00**		
Creating New Bed Spaces in the Market – Enabling Schemes	Former Croft House	£56,000.00	0	0	56	56	£0.00	£56,000.00		
	Prospect House	£37,800.00	0	0	9	9	£0.00	£37,800.00		
	Withycutter	£84,000.00	33	33	0	0	£80,000.00	£0.00		
	Totals	**£177,800.00**			**65**	**65**	**£80,000.00**	**£93,800.00**		
Creating New Bed Spaces	**Totals**	**£1,240,550.00**	**312**	**401**	**238**	**177**	**£726,000.00**	**£462,800.00**		

	Initiative	Total amount approved (incl 5% admin)	SDC Target	SDC Actual	WSC Target	WSC Actual	SDC budget	WSC budget	Start / End Date	Delivery partner
Supporting Tenants and Landlords – Accessing and Sustaining Tenancies	Somerset Homelet (Bed spaces advertised)	£20,790.00	1000	8653	200	803	£14,700.00	£5,100.00	Oct 14- Oct 16	SWeLT
	Flexible Rent Support/ Furniture Fund (Persons)	£117,600.00	50	166	26	36	£70,000.00	£42,000.00	Apr 15- Apr 17	WSC Housing Options
	Social Enterprise (Apprentice Scheme)	£52,500.00	0	0	0	0	£35,100.00	£14,900.00	Mar 16- Mar 18	SC&R
	Landlord Training (No. of sessions delivered)	£10,500.00	5	5	5	5	£5,000.00	£5,000.00	Aug 15- Aug 17	SWeLT
	Tenant Ready scheme (No. of people signed up)	£47,250.00	40	30	20	6	£30,000.00	£15,000.00	Aug 15- Aug 17	YMCA
	Credit Union Website (No. of people signing up)	£10,600.00	50	NR	15	NR	£7,420.00	£3,180.00	Apr 16- Apr 18	Bridgwater & District Credit Union
Accessing and Sustaining Tenancies	**Totals**	**£259,240.00**	**1145**	**8854**	**266**	**850**	**£162,220.00**	**£85,180.00**		

5. Review of Phase 1 initiatives in West Somerset

5.1 The majority of the initiatives designed to create new bed spaces in the market place have met or are on track to meet their target bed spaces by the end of their funded period.

5.2 In particular the Lodging Scheme and Home Moves Plus have been particularly successful and cost effective ways of achieving a significant number of new bed spaces in West Somerset.

5.3 Barriers to take up of the Minor Improvement Grants and Loans, Empty Homes Grants and the Sustainable Management Scheme (Somerset West Lettings) in West Somerset have been identified and strategies are in place to ensure these achieve their target bed spaces going forward.

5.4 The Sustainable Letting scheme originally planned to deliver a not for profit letting agency to be delivered by Taunton Association for the Homeless (TAH) with tenancy support delivered by Chapter 1. Chapter 1 were unable to commit to delivery as planned and withdrew from the scheme. This has resulted in an underspend of the allocated funding for this project (see 6. Financial summary).

5.5 The Living Over the Shops scheme has now been merged with the Empty Homes Grant and Loan Scheme to ensure barriers to bringing empty dual use properties back into use for residential purposes are removed.

5.6 The majority of the initiatives designed to provide support to tenants and landlords to assist with accessing and sustaining tenancies have also achieved or are on track to achieve their targets by the end of their funded period.

5.7 Although the Social Enterprise scheme has been successful in offering supported work experience and apprenticeship opportunities and assisting participants in finding permanent work placements in Sedgemoor, unfortunately the scheme has not been successful in providing opportunities and apprenticeship for people in West Somerset due to the proximity of the work experience sites and a lack of promotion of the scheme in West Somerset.

5.8 The Homelet scheme has been particularly successful in advertising vacant bed spaces in West Somerset and the flexible rent support scheme has exceeded its target of helping homeless individuals and families to access housing.

5.9 Working with partners on the Croft House and Prosect House enabling schemes has also been a successful and cost effective way of providing a significant number of bed spaces in West Somerset.

5.10 The Phase 1 initiatives are on track to achieve **238** new bed spaces in West Somerset against the overall Site Preparation s106 target of 250 bed spaces.

5.11 The funding allocated during Phase 1 has achieved a significant proportion of the overall bed space targets and has also enabled the provision of a wide range of initiatives that offer support to both tenants and landlords in West Somerset.

6. Current Financial position

6.1 In May 2016 West Somerset Council agreed to split the remaining unallocated Site Preparation funding between the two District Councils to enable decisions to be made in a timely and responsive manner in line with the priorities of each Council.

6.2 The table below shows the Site Preparation funding available for allocation to future housing initiatives in West Somerset.

	Unallocated Site Preparation funding	Phase 1 underspend*	**Site Preparation funding remaining**
West Somerset 'Initiatives'	£292,157	£16,500	**£304,657**
West Somerset 'Enabling'	£438,235	na	**£438,235**

*Chapter 1 element of Sustainable Lettings Scheme (see 5.4)

6.3 The table below show the overall funding available for future expenditure on Housing initiatives in West Somerset and Taunton Deane.

West Somerset 'Initiatives'	West Somerset 'Enabling'	West Somerset DCO ring fence*	Taunton Deane DCO ring fence *
£304, 657	**£438,235**	**£477,160**	**£651,567**

* - £60,000 staff resource + indexation uplift

7. PHASE 2 HPC HOUSING FUND STRATEGY

7.1 Overall bed space targets

	West Somerset Target	Taunton Deane
Site Preparation funding	250	0
DCO funding	86	132

7.2 Planned bed space achievement - Phases 1 and 2

	Target	On track to achieve Phase 1	Plan to achieve Phase 2	Total Bed Spaces created
WS Site Preparation	250	238	536	774
WS DCO	86	Achieved	Achieved	Not yet allocated
Taunton Deane DCO	132	NA	206	206

7.3 Priorities for Housing Initiatives in West Somerset

1. Creation of new bed spaces in the market that respond to both short term and longer term housing need.
    - *Short term: 1 and 2 bed accommodation in the low cost private rented sector.*
    - *Longer term: 1 to 4 bed affordable housing in the private rented and owner occupied sectors.*
    - *Particular focus on enabling affordable housing developments.*

2. Initiatives that support access to and the sustainability of tenancies in the Private Rented Sector.

3. Initiatives that target activity in areas likely to be most impacted by HPC in West Somerset i.e. Minehead, Williton, Watchet.

7.4 Priorities in for Housing Initiatives in Taunton Deane

1. Creation of new bed spaces in the market that respond to both short term and longer term housing need.
    - *Short term: 1 bed accommodation in the low cost private rented sector.*
    - *Longer term: Longer term: 1 to 4 bed affordable housing in the private rented and owner occupied sectors.*
    - *Particular focus on bring latent rooms and empty properties back into use.*

2. Initiatives that support access to and the sustainability of tenancies in the Private Rented Sector.

3. Initiatives that create and support access to single person accommodation and access to accommodation for those with complex needs.

7.5 Proposed Phase 2 Housing Initiatives

The tables below outline the proposed initiatives for Phase 2 expenditure. Please note that:

- These proposed costs are indicative not absolute, and may vary as the proposals are worked up further.
- Additional initiatives may be identified during Phase 2 in response to the close monitoring of housing market trends and the impact of Hinkley Point C on the local housing markets in West Somerset and Taunton Deane.
- Wherever possible any underspend from Phase 1 initiatives in West Somerset have been rolled over into Phase 2.
- Proposals are subject to negotiation with service providers and successful delivery of year 1 and 2 targets.

7.5.1 West Somerset

Creation of new bed spaces - Initiatives

	New Expenditure	Budget	Admin fee	Bed Space Target	Cost per BS	New Contract
Empty Homes/LOTS	£94,500	£90,000	£4500	16	£5906	Jul 17 – Jan 19
DIY Empty Home Loans	£21,000	Phase 1 budget (£30,000) + £20,000	£1000	8	£2625*	Aug 17 – Aug 19
Minor Improvement Grant	£5250	Phase 1 budget (£5000) + £5000	£250	30	£340	Jun 17 – Jun 19
Minor Improvement Loan	£0	Phase 1 budget (£25,000)	£0	See above	£2,500	Jun 17 – Jun 19
1st Time Buyer Loan	£0	Phase 1 budget (£50,000)	£0	12	£4160*	Nov 17 – Nov 19
Lodgings Scheme	£42,000**	£40,000	£2000	50	£840	Jul 17 – Jul 19
Home Moves Plus	£63,000	£60,000	£3000	60	£1050	May 15 – May 17
Total	**£225,750**			**176**		

*Cost per BS will reduce when loan reclaimed and recycled.

** Likely to be less due to roll over of Phase 1 underspend

Creation of new bed spaces – Enabling Schemes

	New Expenditure	Budget	Admin fee (5%)	Bed space target	Cost per Bed space
Doniford Road, Watchet (Summerfield Homes and SHAL)	£384,000	£379,000	£5000	355	£1068

Accessing and Sustaining Tenancies

	New Expenditure	Budget	Admin fee (5%)	Target (Individuals)	New Contract
Homelet	£9054	£8601	£453	800	Oct 16 - Oct 18
Flexible Rent Support/Furniture Fund	£0	Phase 1 budget (£33,400)	£0	60	Apr 17 - Apr 19
Tenant Ready Scheme*	£15,750	£15,000	£750	20	Aug 17 - Aug19
Sustainable Letting Scheme*	£42,000	£40,000	£2000	40	Apr 17 - Apr 19
Total	**£66,804**	**£63,601**	**£32,030**	**920**	

*Subject to successful delivery of Phase 1 targets.

7.5.2 **Taunton Deane**

Creation of new bed space - Initiatives

	Expenditure	Bed Space Target	Cost per BS	New Contract
Empty Homes/LOTS	£100,000	20	£5000	Mar 17 – Mar 19
DIY Empty Home Loans	£70,000	15	£5000*	Mar 17 – Mar 19
Minor Improvement Grant	£10,000	30	£333	Mar 17 – Mar 19
Minor Improvement Loan	£50,000	See above	£1666*	Mar 17 – Mar 19
Lodgings Scheme	£60,000	75	£800	Mar 17 – Mar 19
Home Moves Plus	£60,000	60	£1000	Mar 17 – Mar 19
Complex Needs Housing	£135,000	6*	£22,500*	May 17 – May 19
Total	**£485,000**	**206**		

*Project will also supports Accessing and Sustaining Tenancies for 12 people per year.

Accessing and Sustaining Tenancies

	New Expenditure	Target (individuals)	New Contract
Homelet (bed space advertised)	£4,890	2000	Oct 16 - Oct 18
Tenant Ready Scheme*	£30,000	40	Aug 17 - Aug19
Sustainable Letting Scheme*	£60,000	80	Apr 17 - Apr 19
Floating Tenancy Sustainability Support	£70,000	80	Apr 17 – Apr 18
Total	**£164,890**	**2200**	

*Subject to successful delivery of Phase 1 targets.

7.6 Financial position after Phase 2

	Funding available	Phase 2 expenditure	Remaining for Phase 3
West Somerset Site Prep 'initiatives'	£304,657	£292,554	**£12,103**
West Somerset Site Prep 'Enabling'	£438,235	£384,000	**£54,235**
West Somerset DCO ring-fence	£477,160*	£0	**£477,160**
Taunton Deane DCO ring-fence	£651,567*	£649,890	**£1,677**

*Including to indexation uplift

7.7 Monitoring performance

- Housing officers within the Energy Infrastructure team will carry out monthly performance monitoring of initiatives.

- Reports will be presented to the West Somerset Hinkley Housing Board on a quarterly basis.

- Members of the Hinkley Housing Board currently include relevant West Somerset Portfolio holders supported by One Team senior officers. For the purpose of performance monitoring during Phase 2 membership of the Board will be extended to include relevant Taunton Deane portfolio holders.

7.8 **Future expenditure Phase 3**

- The housing initiatives currently being delivered during Phase 1 and planned for Phase 2 will exceed the overall target for the provision of new bed spaces in both Taunton Deane and West Somerset.

- Therefore plans for expenditure of the remaining unallocated funding in Taunton Deane and West Somerset will focus on the following:

1. The need for ongoing support for tenants to access and, in particular, in sustaining accommodation through floating tenancy support for tenants accessing the various Housing Initiatives.
2. The need to continue to create new bed spaces in the private rented and owner occupied sectors to ensure local demand is met over the lifetime of the HPC project e.g. enabling schemes in West Somerset and empty home schemes and an increase in the number of houses of multiple occupation in Taunton Deane.
3. The Continuation of successful schemes identified during Phases 1 and 2.

Appendix A

Description of Housing Initiatives funded

Initiative	Description
Empty Homes Grant	Grant to bring long term empty properties back into use.
DIY Empty Homes	Loans to bring long term empty properties back into use.
Living Over the Shops	Grants to bring long term empty space above shops back into use.
Minor Improvement Grant & Loan	Seeking to stimulate new supply and improve standards within the private rented sector by providing grants and loans to assist homeowners/ landlords to bring properties up to decent homes standard, ready for rent.
First Time Buyer Loan	Loans to assist first time buyers in purchasing a property.
Lodgings Scheme/ Rent a Room	Seeking to stimulate new supply and improve standards within the private rented sector by providing grants to assist homeowners to bring rooms up to decent standards, ready for rent.
Sustainable Management Scheme	Letting Agency seeking to provide support and reassurance to both landlords and tenants to assist in sustaining tenancies.
Home Moves Plus	Facilitate mutual exchanges between under-occupying and over-occupying tenants.
Somerset Homelet	Easy to use and interactive website to enable local people to advertise their property and spare rooms in the private rented market.
Flexible Rent/ Furniture Fund	Fund to assist with paying deposits, rent in advance, agency fees, furniture, and/or whatever appropriate to help vulnerable clients to access the private rented sector.
Social Enterprise (apprentice scheme)	Linked to the Empty Homes Grant. Seek to provide education/ training and employment opportunities in construction skills to the vulnerable.
Landlord Training	As part of the Landlord Accreditation Scheme, incorporating fire service training and building on existing relationships with professional partners.
Tenant Ready Scheme	Extension of Tenant Accreditation Scheme to all age groups, seeking to ensure tenants are ready for the private rented sector and support by arranging bank accounts, photo identification, budgeting skills etc.
Credit Union	Upgrading the Bridgwater & Districts Credit Union’s systems and website to provide an easy to use website, allowing easier access to Credit Union membership. This will encourage users to save e.g. Towards the cost of a new home.
Complex Housing Needs	Provision of 2 3 bedroom properties in both West Somerset and Sedgemoor supported by 2 floating support workers and coordination of agencies to support those with complex needs to maintain an independent tenancy in the private sector rental market.

Appendix B

Definition of a Bed space		
1 Double Room	=	2 Bed spaces
1 Bed	=	2 Bed spaces
2 Bed	=	3 Bed spaces
3 Bed	=	5 Bed spaces
4 Bed	=	7 Bed spaces
5 Bed	=	9 Bed spaces
6 Bed	=	11 Bed spaces
7 Bed	=	13 Bed spaces
8 Bed	=	15 Bed spaces
9 Bed	=	17 Bed spaces
10 Bed	=	19 Bed spaces
11 Bed	=	21 Bed spaces
12 Bed	=	23 Bed spaces
13 Bed	=	25 Bed spaces
14 Bed	=	27 Bed spaces
15 Bed	=	29 Bed spaces

Appendix C

Rise in the need for PRS

Neighbourhood Statistics: Tenure- Households: QS4054EW & UV63

	Census/ Tenure	Owned	Social Rented	Private Rented
Taunton Deane	**2011**	31,393	7,321	7,942
	2001	31,299	7,221	5,360
West Somerset	**2011**	10,421	2,288	2,842
	2001	11,093	2,288	2,309

Nomis: DC4601EW

	Age/ Tenure	Owned	Social Rented	Private Rented
Taunton Deane	**16- 34**	2,336	1,269	3,140
	35- 49	8,221	1,939	2,419
	50- 64	10,093	1,745	1,454
	65+	10,991	2,367	929
West Somerset	**16- 34**	375	300	701
	35- 49	1,650	575	779
	50- 64	3,416	561	723
	65+	5,052	852	639

Taunton Citizens Advice data relating to housing advice

Issue/ Sector	Yr	LA	RSL	Private Rented Sector	Owner Occupier	Total footfall/ queries
Debt- Rent arrears/ Mortgage repayments	13/14	128	48	26	85	1,265
	14/15	99	55	43	60	1,126
	15/16	102	50	38	47	977
Current housing situation- Seeking housing advice	13/14	131	50	253	78	745
	14/15	131	46	299	71	782
	15/16	123	84	252	105	790

Breakdown of Homelessness increase in TDBC and West Somerset

TDBC			
	Homeless Decisions	Prevention	Total Homeless app
14 TO 15	186	187	373
15 TO 16	180	248	428
16 TO Dec 16	151	351	502
W SOM			
	Homeless Decisions	Prevention	
14 TO 15	124	46	170
15 TO 16	63	85	148
16 TO Dec 16	30	67	97
Cost of complex needs clients			
	number of clients	B&B costs	
14 to 15	10	69450	
15 to 16	11	30335	
16 to NOV 16.	11	46457	
	total	146242	

Taunton Deane Borough Council Bed and Breakfast costs

	Expenditure via B&Bs	Income claimed from HB	Net cost to TDBC
2016/ 17 (as at 15.11.16)	£105,587.66	£-11,829.09	£93,758.57 (cost will be nearly doubled)
2015/16	£211,995.03	£-54,851.12	£157,143.91
2014/15	£218,739.85	£-48,212.14	£170,527.71

Single Homeless & Rough Sleeper

	2013	**2014**	**2015**
Taunton Deane	7	18	21
West Somerset	2	6	4

*Single night snapshot taken each year from 1 Oct- 30 Nov.

List of consultees:

West Somerset Housing Forum
Somerset Voluntary Sector Forum
YMCA
TAH
Magna
One Team Housing Leads
One Team Housing Options Team
One Team Enabling Lead
Sedgemoor District Council
SWELT

Glossary of Terms:

b/s: Bed space
DCO: Development Control Order
DIY: Do it Yourself
MWS: Magna West Somerset Housing Association
SC&R: Somerset Care & Repair
SDC: Sedgemoor District Council
SHMA: Strategic Housing Market Assessment
SWPSHP: Somerset West Private Sector Housing Partnership
SWELT: Somerset West Landlord & Tenant Service
S106: Section 106 Agreement setting out framework for contribution from developers
TAH: Taunton Association for the Homeless (housing and support provider)
TDBC: Taunton Deane Borough Council
WSC: West Somerset Council
WHIL: Wessex Home Improvements Loans
YMCA: YMCA Somerset Coast

Taunton Deane Borough Council and West Somerset Council
Equality Impact Assessment Form and Action Plan

1. Name of policy, procedure, decision or service being analysed:

Hinkley Point C: Housing Funding Strategy (Phase 2)

2. What is the reason for completing this EIA? Please tick.

New policy/service	
Change of policy/service	
New/change of budget	x
Service review	

3. Sources of information used in this analysis:
(E.g. demographic data, research from websites, consultations, equality monitoring data, customer feedback)

Figures derived from initiatives delivered during Phase 1 of Hinkley Point C: Housing Funding Strategy. Consultation with members of West Somerset Housing Forum (Magna, Knightstone Housing, Falcon Rural, Hastoe, West Somerset Advice Bureau, YMCA, Wisermoney, West Somerset Advice Bureau, Taunton Association for the Homeless, Aster, Hope Centre, Forum 21)., Consultation with members of Voluntary Sector Strategic Forum. Feedback from customers involved with Phase 1 of Hinkley Point C: Housing Funding Strategy. SDC, TDBC, WSC Housing Options teams. Somerset West Landlord and Tenant Services (SWeLT) EDF WS Census 2011 Somerset Strategic Housing Framework Somerset Homelessness Strategy Joint Strategic Needs Assessment Somerset Intelligence

4. Identify the potential effect of this action on each of the groups below.
Please refer to the equality analysis guidance.

Protected Group	Comments	Actions
Age	Ensure that families with children and older persons have equal access to the initiatives. The housing legislation provides specific protection and priority for the very young and older applicants who are homeless and looking for an allocation of social housing. Although there is no evidence that those in any age group are disadvantaged in their access to services, the items listed below are general housing issues:	Explicit reference to Equality is made in the signed Service Level Agreement for each partner Monitor partners communication strategies to ensure all age range requirements are taken into consideration with reference to location, ability and attitudes. Ensure properties available are advertised on Somerset Homelet and ensure that

	Older People- Over 1 in 4 (almost 60,000) households in Somerset contain only residents aged 65 or older. Half of the occupants of single-person households are aged 65 or more. In parts of West Somerset, more than half of the population is projected to be aged 65 or older by 2033. Life expectancy is at an all-time high with those aged 65+ expecting to live for another 20 years, but barely half of this number will be disability free. Further, 1 in 5 Somerset residents aged 65+ have no access to a car. (SINE- Older People) Older people may also be disproportionately affected by the need to downsize as a result of welfare benefit reforms. Young People- The proportion of 25 year olds owning their own home has halved in the last 20 years and just 20% of 25 year olds are on the housing ladder. The ratio of house prices to earnings is greater than the national average in Somerset. In West Somerset, even just a few years after an economic downturn, house prices at the market entry levels are almost 10 times the average earnings, and the number of making it especially difficult for young people to afford their own homes. Housing supply remains an issue, especially for 1 bedroom properties. According to the latest ONS projections (Apr 2013), the latest projected *percentage* increase by 2021 is for lone parents households. This lack of affordability for private purchase increases demand for rental properties. However, this raises rents and leads to private landlords becoming less likely to accept 'riskier', often more vulnerable households. Further, changes to entitlement to housing benefit in the private rented sector (where shared room rate applies to single applicants under 35) will only serve to exacerbate the affordability issue. (SINE- Housing)	Somerset Homelet is promoted to reach the wider and more vulnerable clientele.
Disability	Ensure that disabled persons have equal access to the initiatives. The 2011 Census revealed that 5.1% (27,000 people) described their health as bad or very bad. Just under 18.8% (100,000 people) in Somerset said they had a long term condition/ disability which limited their day-to-day activities. Almost 1 in 3 people in Minehead North ward said their activities were limited in this way and the same ward had the fewest percentage of residents in very good health (35%) in Somerset. There is also a known shortage of accessible housing for some disabled people,	We work with our partners to ensure they pay due regard to the Equality Act and to mitigate and any discrimination to their customers. Monitor partners to ensure that all reasonable consideration is made to ensure as many properties as possible are made accessible. Assist to develop the knowledge of partners to be able to operate in accordance to equality legislation. Ensure properties available are advertised on Somerset Homelet and ensure that

	leading to a lack of choice and inappropriate housing when presenting as homeless or for advice on their housing options.	Somerset Homelet is promoted to reach disabled people living in unsuitable housing.
Gender Reassignment	Particular risk with the Minor Improvement Scheme, Lodging Scheme and the Sustainable Management Scheme. Transgendered people may be particularly at risk of housing crisis and homelessness arising from transphobic reactions, hate crime and harassment by family, neighbours and members of their local community. 2% of hate crimes were motivated by gender reassignment as reported by Avon & Somerset in 2015/16. Transgendered people may also fear disclosing their identity to housing officers for fear that they will not be treated with dignity and respect, causing in turn lack of access to appropriate housing services.	We work with our partners to ensure they pay due regard to the Equality Act and to mitigate and any discrimination to their customers. Monitor partners to ensure that all reasonable consideration is made to ensure as many properties as possible are made accessible. Assist to develop the knowledge of partners to be able to operate in accordance to equality legislation. Ensure properties available are advertised on Somerset Homelet and ensure that Somerset Homelet is promoted to reach disabled people living in unsuitable housing.
Marriage & Civil Partnership	No particular issues have been identified.	No particular issues have been identified.
Pregnancy & Maternity	No particular issues have been identified.	No particular issues have been identified.
Race/ Ethnic Origin	Particular risk with the Minor Improvement Scheme, Lodging Scheme and the Sustainable Management Scheme. 94.6% of Somerset's population are 'White British' with only 2% of BME population. 73% of hate crimes were racially motivated as reported by Avon & Somerset in 2015/16. Somerset has seen a large increase in Polish-born residents since the accession of the A8 East European countries to the EU in 2004. This could be on the increase due to Brexit. Many migrants choose to share dwellings for cultural or financial reasons thus creating a greater need for larger accommodation. Current economic migration from abroad from poorer countries is also likely to affect housing tenure by sustaining demand for cheaper, private sector rented accommodation.	We work with our partners to ensure they pay due regard to the Equality Act and to mitigate and any discrimination to their customers. Monitor partners to ensure that all reasonable consideration is made to ensure as many properties as possible are made accessible. Assist to develop the knowledge of partners to be able to operate in accordance to equality legislation. Ensure properties available are advertised on Somerset Homelet and ensure that Somerset Homelet is promoted to reach disabled people living in unsuitable housing.
Religion & Belief	Particular risk with the Minor Improvement Scheme, Lodging Scheme and the Sustainable Management Scheme. Although overall numbers were relatively small, there were substantial increases in the number of Muslim people in Somerset in the last decade. 5% of hate crimes were motivated by religion as reported by Avon &	We work with our partners to ensure they pay due regard to the Equality Act and to mitigate and any discrimination to their customers. Monitor partners to ensure that all reasonable consideration is made to ensure as many properties as possible are made accessible.

	Somerset in 2015/16. This could be on the increase with the difficulties of the Middle East and refugee crisis.	Assist to develop the knowledge of partners to be able to operate in accordance to equality legislation. Ensure properties available are advertised on Somerset Homelet and ensure that Somerset Homelet is promoted to reach disabled people living in unsuitable housing.
Sexual Orientation	Particular risk with the Minor Improvement Scheme, Lodging Scheme and the Sustainable Management Scheme. 14% of hate crimes were motivated by sexual orientation as reported by Avon & Somerset in 2015/16.	We work with our partners to ensure they pay due regard to the Equality Act and to mitigate and any discrimination to their customers. Monitor partners to ensure that all reasonable consideration is made to ensure as many properties as possible are made accessible. Assist to develop the knowledge of partners to be able to operate in accordance to equality legislation. Ensure properties available are advertised on Somerset Homelet and ensure that Somerset Homelet is promoted to reach disabled people living in unsuitable housing.
Others		

Taunton Deane Borough Council and West Somerset Council
Equality Impact Assessment Form and Action Plan

Protected Group	Comments	Actions
Race		
Religion and Belief		
Sex		
Sexual Orientation	Landlords beliefs and attitudes are not acceptable	Monitor and work with partners to ensure landlords do not discriminate against same sex partners accessing accommodation in a landlords home
Other	Homelessness	The strategy aims to reduce the number of homelessness applicants by increasing the number of channels that people may access different types of accommodation

5. Details of person completing this form:

Name: Christine Chu Hui Davies Beccy Brown	Service Area:
Email:	Telephone:

6. Details of person responsible for signing off this EIA:

Name: Lisa Redston	Signature:
Designation: Community and Housing Lead	Date: 23/1/17

7. Review date/timeline of this EIA:

8. Comments/Observations relating to this analysis:

Taunton Deane Borough Council

Executive – 9 February 2017

Draft Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy 2017/2018

This matter is the responsibility of the Leader of the Council, Councillor John Williams

Report Author: Jo Nacey, Finance Manager

1 Executive Summary

1.1 The purpose of this report is to inform Members of the recommended strategy for managing the Council's cash resources including the approach to borrowing and investments. It also seeks the formal approval of the Treasury Management Strategy Statement, Annual Investment Strategy and MRP Policy which must be approved by Full Council by 31 March each year in line with regulations.

1.2 The Draft Strategy has been prepared taking into account professional advice and information from the Council's treasury management advisor Arlingclose.

1.3 The strategy continues to prioritise security and liquidity of cash over investment returns.

1.4 The Council currently holds £92.198m of loans, which relate solely to the HRA. This sum increased significantly in March 2012 when the Council took on £82m of loans through the introduction of HRA Self Financing and the abolition of the old Housing Subsidy system. A capital loan of £3.5m to the Somerset Waste Partnership is being considered through the budget setting process for 2017/18. This would be recognised as capital expenditure by the Council through the General Fund and could potentially require external borrowing to be taken. The Deane House Relocation Project is currently being debated through the Committee process and if approved will have implications for the TMSS in relation to capital expenditure and funding requirements.

1.5 The Council's investment balances, in the past 12 months, have ranged between £33 million and £52 million, this is expected to reduce in 2016/17 as more of the Capital Programme is delivered.

1.6 The Bank Base Rate reduced to 0.25% on 4th August 2016 and the Council's treasury management advisor, Arlingclose, has advised that their central case is for the UK Bank Rate to remain at 0.25% during 2017/18.

2 Recommendations

2.1 Executive recommends the Prudential Indicators included within the TMSS, which include limits for borrowing and investment, for approval by Full council.

2.2 Executive recommends the draft Treasury Management Strategy Statement (TMSS), Annual Investment Strategy and MRP Policy as included with this report, for approval by Full Council.

2.3 Executive notes that, if the project is approved, the TMSS will need to be updated to reflect the impact of the Deane House Relocation capital expenditure and funding. This will be reflected in the Final report to Executive.

2.4 Executive notes that, if approved, the impact of the loan to the Waste Partnership will need to be updated in the TMSS to reflect the capital expenditure and proposed funding from principal repayments. This will be reflected in the Final report to Executive.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The Treasury Management Strategy and associated policies are not approved by Full Council in advance of the new financial year and become outdated.	Possible (2)	Major (4)	Medium (8)
The Treasury Management Strategy is approved by Full Council in March 2017 at the latest.	Rare (1)	Minor (2)	Low (2)

Risk Scoring Matrix

<table>
<tr><td rowspan="5">Likelihood</td><td>5</td><td>Very Likely</td><td>Low (5)</td><td>Medium (10)</td><td>High (15)</td><td>Very High (20)</td><td>Very High (25)</td></tr>
<tr><td>4</td><td>Likely</td><td>Low (4)</td><td>Medium (8)</td><td>Medium (12)</td><td>High (16)</td><td>Very High (20)</td></tr>
<tr><td>3</td><td>Feasible</td><td>Low (3)</td><td>Low (6)</td><td>Medium (9)</td><td>Medium (12)</td><td>High (15)</td></tr>
<tr><td>2</td><td>Slight</td><td>Low (2)</td><td>Low (4)</td><td>Low (6)</td><td>Medium (8)</td><td>Medium (10)</td></tr>
<tr><td>1</td><td>Very Unlikely</td><td>Low (1)</td><td>Low (2)</td><td>Low (3)</td><td>Low (4)</td><td>Low (5)</td></tr>
<tr><td colspan="3"></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr>
<tr><td colspan="3"></td><td>Negligible</td><td>Minor</td><td>Moderate</td><td>Major</td><td>Catastrophic</td></tr>
<tr><td colspan="3"></td><td colspan="5">Impact</td></tr>
</table>

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

4 Background Information

4.1 The full Draft Treasury Management Strategy Statement (TMSS), Annual Investment Strategy (AIS) and Minimum Revenue Provision (MRP) Policy are attached to this report. Due to the nature of the subject, and also in order to comply with both legislative and policy requirements, the documents contain a significant amount of technical detail and data.

4.2 The TMSS and related policies have been prepared taking into account the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes ("the Code") and CLG Guidance on Local Government Investments ("the Guidance").

4.3 The key principles of the Code are as follows:

- Ensuring that public bodies put in place the necessary framework to ensure the effective management and control of treasury management activities;

- That the framework clearly states that responsibility for treasury management lies clearly within the organisation and that the Strategy clearly states the appetite for risk;

- That value for money and suitable performance measures should be reflected in the framework.

4.4 The Code also identifies four clauses to be adopted and these are as follows:

- The creation and maintenance of a policy statement and suitable treasury management practices which set out the means of achieving the policies and ensuring management and control;

- The minimum reports (to the body that approves the budget) should be an annual strategy and plan prior to the start of the financial year, a mid-year review and an annual report after its close. A local council should ensure that its' reporting enables those responsible for treasury management to effectively discharge their duties;

- Details of delegated responsibility for implementation and monitoring of policies and for the execution and administration of treasury management decisions. For this Council the delegated person is the Section 151 Officer;

- Details of the body responsible for the scrutiny of treasury management strategy and policies. For this Council the delegated body is the Audit Committee.

4.5 The Council's finance officers have worked closely with Arlingclose, our treasury advisor, to consider the requirements of the Code and Guidance and determine the proposed TMSS, AIS and MRP Policy that ensure compliance and provide a set of 'rules' for the Council to follow in dealing with investments, borrowing and cash flow management.

4.6 The current core principles remain in place within the proposed TMSS for 2017/18, which is to prioritise security (avoiding loss of council funds) and liquidity (quick access to cash) over return (interest costs and income).

4.7 However the TMSS for 2017/18 continues to recognise the increasing risks due to the new regulations in respect of 'bail in' for banks. In response to this risk and the wider ongoing risks in the financial sector the treasury strategy continues to build in greater "diversification" – so that we will hold surplus funds in a wider range of investments/accounts i.e. we are spreading the risk. Additionally we have removed the lowest acceptable credit rating risk from our 2016/17 strategy, as we seek to further reduce investment risk. Table 2 within the TMSS sets this out in a useful summary.

5 Treasury Management Strategy Statement

5.1 The proposed treasury strategy, investment strategy, prudential indicators are set out in the appendices to this report.

5.2 Council approves the strategy in advance of the new financial year in accordance with the Code, with annual and mid-year reports on performance presented to Audit Committee.

5.3 This Strategy is written in continuing challenging and uncertain economic times. The current economic outlook has several key treasury management implications:

- Investment returns are likely to remain relatively low during 2017/18

- With short-term borrowing 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
- The timing of any borrowing will need to be monitored carefully; there will remain a cost of carry – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

5.4 This Strategy looks to reduce exposure to risk and volatility at this time of significant economic uncertainty by

- Considering security, liquidity and yield, in that order
- Considering alternative assessments of credit strength
- Spreading investments over a range of approved counterparties
- Only investing for longer periods to gain higher rates of return where there are acceptable levels of counterparty risk.

5.5 The historically low interest rate situation has led to significant reductions in investment income in the past years which impacts directly on the Council's budget.

5.6 The Council's general fund capital financing requirement (CFR) for 2017/18 is £8.344m which is currently funded through internal borrowing. The timing of any borrowing must be considered as mentioned in 5.3 above.

5.7 The Council's Housing Revenue Account (HRA) CFR for 2017/18 is £101.063m which is currently funded through external borrowing of £89.500m plus internal borrowing of £11.563m. The Government sets a debt cap for the HRA which currently limits borrowing to £115.8m.

5.8 Attached to this report is the draft recommended full Treasury Management Strategy Statement, Annual Investment Strategy and MRP Policy.

5.9 The potential borrowing requirement of £3.5m in relation to the Waste Partnership would not compromise the council's current authorised borrowing limit of £220 million as specified in the TMSS.

5.10 It is important to emphasise that the operational boundary relates to controls surrounding the Council's treasury management activities, and is not in itself "approval to borrow" for capital purposes. Any plans to support capital investment through borrowing would come forwarded to Council for approval in line with the normal budget decision process, supported with appropriate business case(s).

5.11 Attached to this report is the draft recommended full Treasury Management Strategy Statement, Annual Investment Strategy and MRP Policy.

6 Minimum Revenue Provision

6.1 The proposed Minimum Revenue Provision continues the policy approved for 2016/17, with an addition to set out a policy in respect of capital loans provided to third parties. This takes into account the Council is considering a loan to the Somerset Waste Partnership. For such loans it is proposed to link MRP to the life of the asset(s) for which a loan is provided. This is included at the end of Appendix E.

7 Links to Corporate Aims / Priorities

7.1 The Council must approve and maintain appropriate treasury management arrangements to ensure good governance and stewardship of public resources, and to comply with relevant regulations and guidance.

8 Finance / Resource Implications

8.1 The estimated costs and income of projected investment and borrowing requirements have been reflected in the Council's MTFP forecasts. The Council procures specialist treasury management advice to assist finance officers with advice and support to ensure robust treasury management arrangements are delivered. Additionally, appropriate training is undertaken by staff. These costs are incorporated within existing budgets.

9 Legal Implications

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

9.2 In March 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

9.3 In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

10 Environmental Impact Implications

10.1 None.

11 Safeguarding and/or Community Safety Implications

11.1 None.

12 Equalities and Diversity Implications

12.1 None.

13 Social Value Implications

13.1 None.

14 Partnership Implications

14.1 None.

15 Health & Wellbeing Implications

15.1 None.

16 Asset Management Implications

16.1 None.

17 Consultation Implications

17.1 None.

18 Scrutiny Comments

18.1 Corporate Scrutiny Committee noted the report including the Treasury Management Strategy Statement and Prudential Indicators which incorporates borrowing and investment limits. Committee also noted that the TMSS presented to Executive and Council will be updated to reflect Deane House accommodation and SWP loan capital financing requirements.

18.2 The following salient comments and questions were raised:

- Clarification was sought on 'bail in' risk. *The Finance Manager clarified that due to the relatively new "bail-in legislation" we have been advised that the credit risk associated with unsecured bank deposits has increased. We have amended our counterparty levels accordingly and have removed the inclusion of BBB- from the approved list of counterparties, thus reducing risk to our investments.*
- Clarification was sought on the arrangements with Arlingclose and how often we can access professional treasury advice? *It was clarified that the there is an annual fixed price for the Council's contract with Arlingclose, and we have regular daily access to their services.*

Democratic Path:

- **Corporate Scrutiny – 26 January 2017**
- **Executive – 9 February 2017**

- **Full Council – 23 February 2017**

Reporting Frequency: Annual

List of Appendices

Appendix A	Treasury Management Strategy Statement and Annual Investment Strategy 2017/18
Appendix B	Arlingclose Economic and Interest Rate Forecast – November 2016
Appendix C	Existing Investment and Debt Portfolio Position
Appendix D	Prudential Indicators 2017/18
Appendix E	Annual Minimum Revenue Provision Statement 2017/18

Contact Officers

Name	Jo Nacey	Name	Sue Williamson
Direct Dial	01823 356537	Direct Dial	01823 358685
Email	j.nacey@tauntondeane.gov.uk	Email	s.williamson@tauntondeane.gov.uk

Taunton Deane Borough Council
Draft Treasury Management Strategy Statement
and Annual Investment Strategy 2017/2018

Introduction

In February 2011 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services Code of Practice 2011 Edition (the "CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that 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 CLG Guidance.

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

External Context

Economic background: The major external influence on the Authority's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of a leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

Looking overseas, with the US economy and its labour market showing steady improvement, the Federal Reserve has increased its interest rate in December 2016 by 0.25%. The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.

The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the outcomes of Italy's referendum on its constitution (December 2016), the French presidential and general elections (April – June 2017) and the German federal elections (August – October 2017) have the potential for upsets.

Credit outlook: Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however continue to fall

Interest rate forecast: The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18**.** The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a possibility, to keep long-term interest rates low.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix A***.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.91%, and that new long-term loans will be borrowed at an average rate of 2.80%.

Local Context

The Council currently has £92.198m of borrowing and £46.822m of investments. This is set out in further detail at ***Appendix B***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.03.16 Actual £'000	31.03.17 Estimate £'000	31.03.18 Forecast £'000	31.03.19 Forecast £'000	31.03.20 Forecast £'000
General Fund CFR	8,524	8,344	8,164	7,984	7,804
HRA CFR	101,088	101,063	101,411	99,590	97,769
Total CFR	**109,612**	**109,407**	**109,575**	**107,574**	**105,573**
Less: External borrowing	(92,198)	(89,500)	(89,874)	(82,500)	(89,509)
Internal borrowing	**17,414**	**19,907**	**19,701**	**25,074**	**16,064**
Less: Usable reserves	41,396	41,787	43,117	46,141	49,081
(Investments) or New borrowing	**(23,982)**	**(21,880)**	**(23,416)**	**(21,067)**	**(33,017)**

* shows only loans to which the Council is committed and excludes optional refinancing

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.

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 2017/18.

Borrowing Strategy

The Council currently holds £92.198m of loans, as part of its strategy for funding previous years' capital programmes. This sum increased significantly in March 2012 when the Council took on £82m of loans through the introduction of HRA Self Financing and the abolition of the old Housing Subsidy system. The balance sheet forecast in table 1 shows that the Council does not expect to borrow in 2017/18. The Council may, however, borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £220 million.

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty 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.

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.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal 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. 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 2017/18 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

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

- Public Works Loan Board (PWLB) and its 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 Somerset Pension Fund)
- capital market bond investors
- special purpose companies created to enable joint local authority bond issues
- UK local authorities

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

LGA Bond Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

The Council holds £3m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

Short-term and variable rate 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.

Investment Strategy

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's average investment balance has ranged between £33 million and £52 million, this is expected to reduce in 2017/18 as more of the Capital Programme is delivered.

Both the CIPFA Code and the CLG 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.

Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to continue to diversify into more secure and/or higher yielding asset classes during 2017/18. This is especially the case for the estimated £20m that is available for longer-term investment. Less of the Council's surplus cash is now invested in short-term unsecured bank deposits, certificates of deposit and money market funds but has been moved to more secure covered bonds. This diversification represents a continuation of our current investment strategy over the coming year.

The Council may invest its surplus funds with any of the counterparties in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

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	£3m 5 years	£6m 20 years	£6m 50 years	£3m 20 years	£3m 20 years
AA+	£3m 5 years	£6m 10 years	£6m 25 years	£3m 10 years	£3m 10 years
AA	£3m 4 years	£6m 5 years	£6m 15 years	£3m 5 years	£3m 10 years
AA-	£3m 3 years	£6m 4 years	£3m 10 years	£3m 4 years	£3m 10 years
A+	£3m 2 years	£6m 2 years	£3m 10 years	£3m 3 years	£3m 5 years
A	£3m 13 months	£6m 13 months	£3m 10 years	£3m 2 years	£3m 5 years
A-	£3m 6 months	£6m 6 months	£3m 10 years	£3m 13 months	£3m 5 years
BBB+	£1m 100 days	£3m 100 days	£1m 2 years	£1m 6 months	£1m 2 years
BBB	£1m	£3m	n/a	n/a	n/a

	Next day only	100 days			
None	£1m 6 months	n/a	£6m 25 Years	£50k 5 Years	£3m 5 Years
Pooled funds	Up to 50% of total investments limited to £6m each fund				

This table must be read in conjunction with the notes below

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standards and 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.

In addition, the Council may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Council's treasury management advisor.

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. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Council's current account bank Nat West.

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 highest 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 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, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed. The Council will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

Pooled Funds: Shares in diversified investment vehicles consisting of 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 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.

Other Organisations: The Council may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Council's treasury management advisors.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Council's treasury advisors, who will notify changes in ratings as they occur. When 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.

Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. The Council does, on occasion, grant loans to small organisations for the purpose of furthering service provision within the Council's area but these loans fall outside of the scope of the Council's treasury management activities. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£20m
Total investments without credit ratings or rated below BBB+	£10m
Total non-specified investments	£30m

Investment Limits: The Council's General Fund revenue reserves available to cover investment losses are forecast to be £21,878 million on 31st March 2016. In order that no more than 25% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £6 million. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts *(e.g. King & Shaxson)*, 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 county since the risk is diversified over many countries.

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Government	£6m each
UK Government	unlimited
Any group of organisations under the same ownership	£6m per group
Any group of pooled funds under the same management	£15m per manager
Negotiable instruments held in a broker's nominee account	£20m per broker
Foreign countries	£6m per country
Registered Providers	£14m in total
Loans to unrated corporates	£6m in total
Money Market Funds	£28m in total

Approved Instruments: The Council may lend or invest money using any of the following instruments:

- interest-bearing bank accounts,
- fixed term deposits and loans,
- callable deposits and loans where the Council may demand repayment at any time (with or without notice),
- callable deposits and loans where the borrower may repay before maturity, but subject to a maximum of £6 million in total,
- certificates of deposit,
- covered bonds, bonds, notes, bills, commercial paper and other marketable instruments, and
- shares in money market funds and other pooled funds.

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures below.

Liquidity management: The Council uses a spreadsheet which details the Council's cash flow on a daily basis to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated 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.

Treasury Management Indicators

The Council measures and manages its exposures 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 rating of its investment portfolio.

This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target
Portfolio average credit rating	A-

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.

	Target
Total cash available within 3 months	£6m

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:

	2016/17	2017/18	2018/19
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	100%	100%	100%

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

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:

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and within 50 years	100%	0%
50 years and above	100%	0%

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.

Principal Sums Invested for Periods Longer than 364 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 will be:

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£30m	£30m	£30m

Other Items

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

Policy on 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.

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

Investment Training: The needs of the Council's treasury management staff for training in investment management are assessed every six months 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.

Investment Advisors: The Council has appointed Arlingclose Limited as treasury management advisors and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by holding quarterly meetings and tendering periodically. The last tender was completed in March 2013.

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 £220 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Financial Implications

The budget for investment income in 2017/18 is £366,800 (General Fund = £314,000, HRA = £52,800). The budget for debt interest paid in 2017/18 is £2.838 million (All HRA). If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Operations (S151 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	Reduced risk of losses from credit related defaults but any such losses will 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 will 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 will 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 will be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however, long-term interest costs will be less certain

Appendix A

Arlingclose Economic and Interest Rate Forecast November 2016

Underlying assumptions:

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.

- The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.

- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.

- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.

- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.

- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.

- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.

- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.

- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely..

Forecast:

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.

- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.

- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

	Dec -16	Mar-17	Jun -17	Sep-17	Dec -17	Mar-18	Jun -18	Sep-18	Dec -18	Mar-19	Jun -19	Sep-19	Dec -19	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	**0.12**
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**
Downside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.40**
3-month LIBID rate														
Upside risk	0.05	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.18**
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.29**
Downside risk	0.20	0.25	0.25	0.25	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.34**
1-yr LIBID rate														
Upside risk	0.10	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.23**
Arlingclose Central Case	**0.60**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.60**	**0.70**	**0.85**	**0.90**	**0.90**	**0.90**	**0.65**
Downside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.24**
5-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**0.50**	**0.40**	**0.35**	**0.35**	**0.35**	**0.40**	**0.40**	**0.40**	**0.45**	**0.50**	**0.55**	**0.60**	**0.65**	**0.45**
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.47**
10-yr gilt yield														
Upside risk	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.15**	**0.95**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.90**	**0.95**	**1.00**	**1.05**	**1.10**	**1.15**	**0.96**
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.47**
20-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.70**	**1.50**	**1.40**	**1.40**	**1.40**	**1.40**	**1.40**	**1.45**	**1.50**	**1.55**	**1.60**	**1.65**	**1.70**	**1.75**
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.57**
50-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.60**	**1.40**	**1.30**	**1.30**	**1.30**	**1.30**	**1.30**	**1.35**	**1.40**	**1.45**	**1.50**	**1.55**	**1.60**	**1.41**
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.57**

Appendix B

Existing Investment and Debt Portfolio Position

	31/12/2016 **Actual Portfolio £m**	31/12/2016 **Average Rate %**
External Borrowing: PWLB - Fixed Rate	84,198	3.35%
PWLB – Variable Rate	5,000	0.67%
LOBO Fixed Rate Loans	3,000	4.25%
Total External Borrowing	**92,198**	**2.76%**
Investments Short Term	44,873	0.83%
Net Debt	**47,325**	

Appendix C

Prudential Indicators 2017/2018

1. Background

1.1 The Local Government Act 2003 requires the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

2. Estimates of Capital Expenditure

2.1 The Council's planned capital expenditure and financing may be summarised as follows:

Capital Expenditure	2016/17 Predicted £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Non-HRA	11,805	5,809	7,059	4,101
HRA	12,830	11,165	9,397	9,534
Total Capital Expenditure	**24,635**	**16,974**	**16,456**	**13,635**

2.2 Capital expenditure will be financed as follows:

Capital Financing	2016/17 Predicted £'000	2017/18 Estimate £'000	2018/19 Estimate £'001	2017/20 Estimate £'002
Capital Receipts	5,230	877	812	820
Capital Grants	1,828	5,408	660	660
Revenue Contributions	7,557	1,494	7,616	4,691
Borrowing	2,295	1,874	0	0
Major Repairs Reserve	7,725	7,321	7,368	7,464
Total Capital Financing	**24,635**	**16,974**	**16,456**	**13,635**

3. Capital Financing Requirement

3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.16 Actual £'000	31.03.17 Revised £'000	31.03.18 Estimate £'000	31.03.19 Estimate £'000	31.03.20 Estimate £'000
General Fund	8,524	8,344	8,164	7,984	7,804
HRA	101,088	101,063	101,411	99,590	97,769
Total CFR	**109,612**	**109,407**	**109,575**	**107,574**	**105,573**

3.2 The CFR is forecast to increase during 2017/18 as the Council supports significant capital investment in the HRA, and then decrease in 2017/18 decreasing again in 2018/19 as capital expenditure financed by debt is outweighed by resources put aside for debt repayment.

4. Gross Debt and the Capital Financing Requirement

4.1 This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

4.2 The S151 officer reports that the Council had no difficulty meeting this requirement in 2015/16, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Debt	31.03.17 Revised £'000	31.03.18 Estimate £'000	31.03.19 Estimate £'000	31.03.20 Estimate £'000
Total CFR	109,407	109,575	107,574	105,573
Borrowing	-89,500	-85,500	-82,500	-89,509
Difference	19,907	24,075	25,074	16,064

4.3 Total debt is expected to remain below the CFR during the forecast period.

5. Operational Boundary for External Debt

5.1 The Operational Boundary is based on the Council's estimate of the most likely, i.e. prudent but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring.

	2015/16 Revised £'000	**2016/17 Estimate £'000**	**2017/18 Estimate £'000**	**2018/19 Estimate £'000**
Operational Boundary for External Debt	200,000	200,000	200,000	200,000

6. Authorised Limit for External Debt

6.1 The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The HRA has a debt cap of £115.8m which is a figure set by Central Government.

	2015/16 Revised £'000	**2016/17 Estimate £'000**	**2017/18 Estimate £'000**	**2018/19 Estimate £'000**
Authorised Limit for External Debt	220,000	220,000	220,000	220,000

7. Ratio of Financing Costs to Net Revenue Stream

7.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Revised %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %
General Fund	-2.16%	-2.54%	-2.43%	-2.34%
HRA	10.92%	10.02%	10.42%	11.46%
Total	**8.76%**	**7.48%**	**7.99%**	**9.12%**

8. Incremental Impact of Capital Investment Decisions

8.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £
Increase in annual Band D Council Tax	4.51	5.38	3.10
Increase in Average Weekly Housing Rents	1.21	1.01	1.04

9. Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Council has adopted the principles of best practice. The Council adopted the CIPFA Treasury Management in the Public Services: Code of Practice 2011 Edition in February 2011. The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

Appendix D

Annual Minimum Revenue Provision (MRP) Statement 2017/18

Where the Authority 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 Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid 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.

The CLG 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. Amendment regulation 4(1) of the 2008 Capital Financing and Accounting Regulations which details the MRP rules, revised the former regulations and replaced them with a basic duty for a council each year to make an amount of MRP which it considers to be **"prudent"**. The regulation does not in itself define "prudent provision", however, the MRP guidance makes recommendations to authorities on the interpretation of that term.

The MRP methodology was reviewed in the current year (2016/17) to ensure that our approach was appropriate for our financial stability and was robust and prudent for future capital expenditure.

The weighted average useful life approach was deemed to be the most prudent approach and took into consideration the materiality of each asset and its recorded remaining useful life. The weighted average was then applied to the class of asset then applied across the whole fixed asset base. That gave a robust basis to support the asset life applied to MRP calculations and be appropriate for audit scrutiny.

In forthcoming years this base calculation will stay the same but any additional CFR will be calculated separately and added to the MRP as a distinct calculation thus protecting the original calculation and adding to it where appropriate.

AGENDA ITEM NO. 8

Taunton Deane Borough Council

Executive – 9 February 2017

Draft General Fund Revenue Budget Estimates 2017/2018

This matter is the responsibility of the Leader of the Council, Councillor John Williams

Report Author: Jo Nacey, Finance Manager

1 Executive Summary

1.1 The purpose of this report is to set out the Draft Budget and proposed Council Tax for 2017/18 to enable Executive to recommend proposals to Full Council for approval. This report includes the revenue implications of the 2017/18 Draft Capital programme which is included in a separate report to this meeting.

1.2 The Final Settlement is due to be issued by Government imminently. The provisional funding settlement was issued by Government late December, and included details regarding general revenue grant funding, New Homes Bonus, and business rates retention baseline and tariff. Overall the funding available to deliver services has reduced hugely in 2017/18:

a) General funding (Revenue Support and Rural Services Delivery grants) has reduced by a combined £596,000 (47%)
b) New Home Bonus funding has increased by £151,000 (4%) but this is after a reduction of 0.4% of the growth figure
c) Retained business rates has increased by £79,000 (3%)

1.3 Executive is minded to implement a council tax increase of 3.46% (£5 on a Band D) which provides an additional £88,000 income, compared to the previous 1.99% increase assumption in the MTFP. Together with the higher Tax Base, total council tax funding will increase by £457,000 in 2017/18.

1.4 Executive is also minded to implement a council tax increase to the Unparished Area of 0.7% (2p on a Band D) which will raise an additional £300 (net of the growth increase).

1.5 Overall, funding from general grant, new homes bonus, business rates and council tax has increased by £92,000 (0.7%) in 2017/18.

1.6 The 2017/18 draft budget also includes a prior year net Collection Fund surplus of £129,000 (£38,000 business rates deficit, £167,000 council tax surplus).

1.7 Executive is minded to progress the Savings Options, totalling £123,000 in 2017/18.

1.8 Executive is also minded to use £105,000 from the business rates smoothing reserve in 2017/18 (£38,000 to offset the business rates deficit, £67,000 to balance the Budget).

1.9 The updated Medium Term Financial Plan indicates that, despite forecasting a balanced budget for 2017/18, there is a Budget Gap in 2018/19 at a projected £387,980 which will need to be addressed. This figure assumes the Deane House proposals are approved by Full Council on 6 February. If this was not supported the Gap in 2018/19 will be £743k.

2 Recommendations

2.1 Executive notes the forecast Medium Term Financial Plan and Reserves position, and notes the S151 Officer's Robustness Statement as set out in Appendix A of this report.

2.2 Executive recommends the 2017/18 Draft Budget to Full Council for approval, subject to any amendments required as a result of the Final Funding Settlement.

2.3 Executive recommends to Full Council a 2017/18 Council Tax increase of 3.47%, increasing the Band D basic tax rate by £5 to £149.62. This comprises £147.88 for services and £1.74 on behalf of the Somerset Rivers Authority. Executive also recommends an increase to the Special Expenses precept of 0.7% increasing the Band D tax rate from £2.98 to £3.00.

2.4 Executive recommends to Full Council the increase in Deane Helpline Fees to mitigate the additional costs of the Pension Deficit pressure. This amounts to an additional £27k income for the Deane House trading account.

3 Risk Assessment

Risk Matrix

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

Risk Scoring Matrix

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

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

4 Background Information

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

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

4.3 Each year the Council sets an annual budget which details the resources needed to meet operational requirements. The annual budget is prepared within the context of priorities identified by Members which are embedded in the Council’s current Corporate Plan.

4.4 It has been well reported that the Council faces significant and ongoing financial challenges, with a continuation of the annual reductions in Government funding for local council services as the Government seeks to reduce the national deficit.

4.5 Members have previously considered a range of important reports that provide background on the Council’s financial position and the budget strategy for 2017/18.

5 Provisional Finance Settlement 2017/18

5.1 Since the 24 November 2016 report, we have received the Provisional Finance Settlement from DCLG. The Final Settlement is expected to be confirmed in early February 2017.

General Grant Funding

5.2 The grant funding from Government is in line with the confirmed multi-year settlement (2016/17 to 2019/20), with the expected reduction in 2017/18 as shown below – a 46% reduction in general revenue grant funding:

Table 1 – General Government Grant

	2016/17 £	2017/18 £	Change £	
Revenue Support Grant (RSG)	1,235,137	644,801	-590,336	-48%
Rural Services Delivery Grant (RSDG)	27,582	22,271	-5,311	-19%
Transition Grant	16,930	16,864	-66	0
Total General Revenue Grant Funding	**1,279,649**	**683,936**	**-595,713**	**-46%**

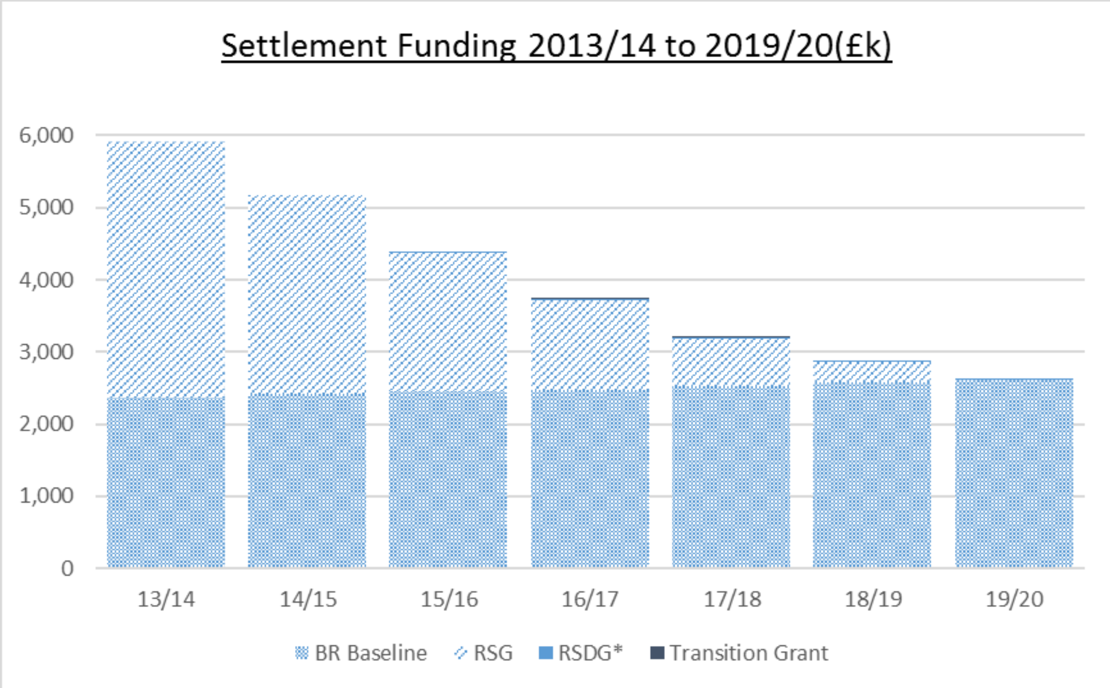
5.3 The multi-year settlement includes further reductions in subsequent years. The following table summarises how these grants, together with the Business Rates Baseline (BR Baseline) have and are projected to reduce since 2013/14, followed by a graph that clearly demonstrates the downward trend in the Council's Settlement Funding Assessment. During this period, the Settlement will have reduced by 56% in cash terms (estimated 61% in real terms).

5.4 The headline reduction in the Settlement funding position is -14.5% from 2016/17 to 2017/18.

Table 2 – Settlement Funding

	13/14 £k	14/15 £k	15/16 £k	16/17 £k	17/18 £k	18/19 £k	19/20 £k
RSG	3,556	2,766	1,911	1,235	645	280	0
RSDG*	0	0	5	28	22	17	22
Transition Grant	0	0	0	17	17	0	0
BR Baseline	2,366	2,412	2,458	2,478	2,529	2,578	2,605
Govt Settlement	5,922	5,178	4,374	3,758	3,213	2,675	2,627

**Incorporated within RSG prior to 2015/16, with amount not separately identified within Settlement information.*



6 Business Rates Retention

6.1 As previously reported to Members, there has been a change in both the baseline and the tariff methodology to reflect the implementation of the 2017 Revaluation of business rates. A summary of the new Retained Funding figure is shown in the table below:

Table 3a – Business Rates Retention Estimates

Business Rates Retention Funding Estimates	**2016/17 Budget £**	**2017/18 Estimate £**
40% Standard Share of Business Rates Yield	16,331,180	14,817,804
Rates yield from renewable energy schemes	197,557	152,400
Tariff to Government	-13,843,420	-12,262,201
Levy Payment	-255,859	-345,337
Safety Net Income	0	0
S31 Grant	529,846	675,620
Net Retained Business Rates Funding	**2,959,304**	**3,038,286**
Net Retained B Rates Funding as % of yield	7.2%	8.2%

6.2 The Council's estimated retained business rates funding has increased by £78,982 in 2017/18 compared to 2016/17. This has marginally reduced the pressure to the Budget Gap.

6.3 The final NNDR1 estimates have improved the position by £394k compared to the draft position reported to Scrutiny in January, reflecting updated draft 2017 valuation figures from the VOA and fully worked through analysis of transitional protection and its impact on rate payers' entitlement to reliefs.

6.4 The BRR Smoothing Reserve has been increased in previous years due to funding volatility and more recently to recognise the risks regarding NHS Trust business rates. As the Council will not be in a Pool in 2017/18 this risk is reduced as the Safety Net will provide greater protection. It is therefore possible to consider allocating some of this balance to mitigate funding pressures in 2017/18. The table below sets out the position based on the proposals shown in the table below:

Table 3b – Business Rates Smoothing Reserve

	£
Opening Balance 1 April 2016	2,008,283
2015/16 End of Year Transfer	114,111
2016/17 Budget – Estimated 2015/16 Deficit	-191,668
2017/18 Budget – Estimated 2016/17 Deficit	-38,425
BRR Smoothing Reserve to fund BRR volatility in 17/18 (one-off)	-29,887
BRR Smoothing Reserve to close Gap in 17/18 (one-off)	-65,596
Projected Balance 31 March 2018	**1,796,818**

100% Business Rates Retention

6.5 As previously reported, Government is working with the sector to develop proposals for the implementation of "100% Business Rates Retention". This will see responsibility for funding of some services transfer from central to local government, with local government keeping business rates funding that is currently passed to central government. The responsibilities and the distribution of funding between authorities is not yet known. Whilst we expect any changes to be implemented by 2019/20, we have maintained our MTFP forecasts based on the current system pending further information.

7 New Homes Bonus

7.1 The New Homes Bonus (NHB) Grant has been in place since 2011/12. It is funding allocated by Government, separate to Revenue Support Grant and Business Rates, which incentivises and rewards housing growth. The NHB grant is non-ringfenced which means the Council is free to decide how to use it. The previous scheme design sets out that each year's Grant allocation would be payable for six years. We only use £392k of our NHB allocations each year to help fund our revenue budget. The remaining grant is allocated to our Growth Earmarked reserve.

7.2 The provisional NHB Grant for 2017/18 is £4,034,732, which is £151,421 or 3.9% more than 2016/17, and £674,549 more than our December estimate which is good news for our growth aspirations funding but unfortunate in terms of the unexpected growth top slice (see 7.3 below).

Table 4 – New Homes Bonus 2017/18

	2016/17 £	2017/18 £	Change £	
New Homes Bonus Grant	3,883,311	4,034,732	151,421	+3.9%

7.3 Last winter the Government consulted on proposed changes to the funding methodology for NHB, and has only just announced changes as part of the

Provisional Settlement in December. This brings further bad news in terms of funding reductions and our budget estimates for next year and beyond. Despite positive housing growth which was higher than previously forecast for budget purposes, a new baseline of 0.4% growth has been introduced from 2017/18 which has effectively acted as a top-slice so that we only receive grant for growth above 0.4%. Hence our housing growth 'good news' has been slightly offset by this new baseline assumption. In addition to the new top-slice the Government has now confirmed that the rolling up of grants has reduced from 6 years to 5 years in 2017/18 and then reduces further to 4 years from 2018/19. Our previous MTFP forecasts had been prepared on this basis.

7.4 The impact of this new growth baseline is significant. The actual growth in Band D equivalents in 2016 was 1,103 or 2.29%. The impact is summarised within the following breakdown of the grant allocation related to 2017/18:

Table 5 – New Homes Bonus 2017/18 Calculation

Net Additions (October 2015 to October 2016	1,101
Net decrease in empty homes	8
Pure net housing growth	1,109
Net housing growth weighted as Band D equivalents (=2.29%)	1,103
0.4% of October 2015 stock base – Band D equivalents	-192.4
Rewarded units =1.89% growth – Band D equivalents (rounded)	910.6
NHB Grant for growth (£1,529.56* x 80%** x 910.6)	£1,114,253
Affordable housing units growth (April 2015 to March 2016)	273
NHB Grant for affordable housing growth (£350 x 80%** x 273)	£76,440
Returned funding (one-off in 2017/18)	£6,155
Total NHB Grant allocation related to 2017/18	**£1,196,845**

*£1,529.56 = the national average Band D council tax for 2016/17
**growth is rewarded 80% to lower tier (District), 20% to upper tier (County)

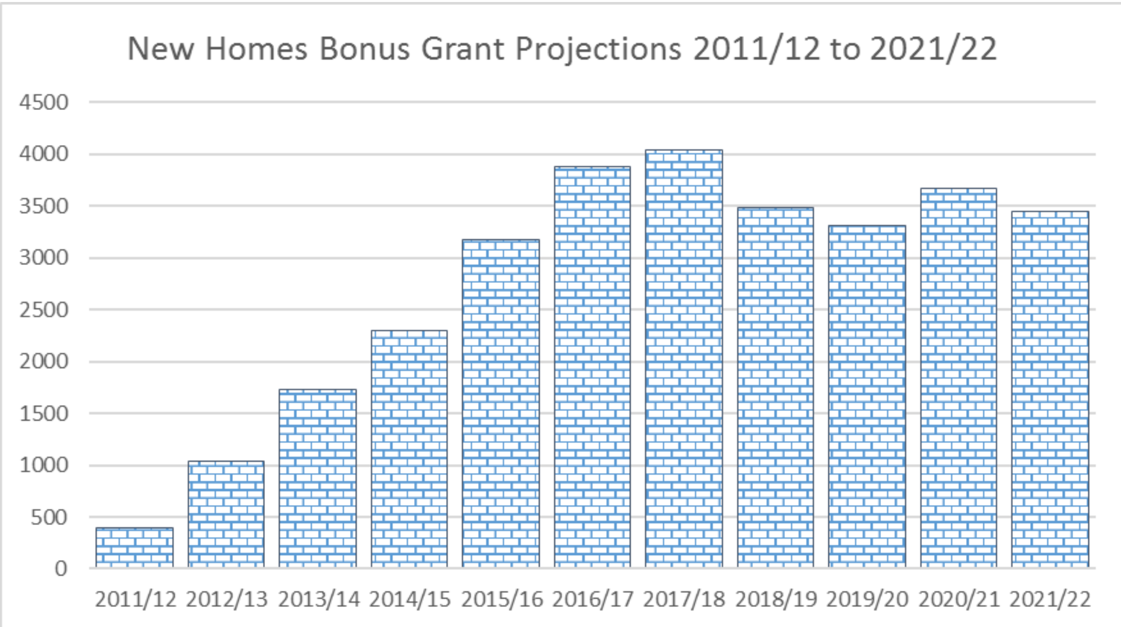
7.5 As this shows, housing growth (net of new housing, demolitions and increase/decrease in empty homes) of 192.4 Band D equivalents has not been rewarded in 2017/18. This has resulted in a loss of funding of approximately **£235,430** as a result of the new top-slice for 0.4% growth. This is in addition to the **£647,745** we have lost as a result of moving from 6 years to 5 years.

7.6 The following table and graph summarises the historic allocations of NHB and the MTFP forecast up to 2021/22. Members are advised that the forecast for 2018/19 onwards has now been updated to reflect our assumptions about how the new growth "top-slice" will affect our allocation.

Table 6 – New Homes Bonus Grant Forecast

	11/12 £k	12/13 £k	13/14 £k	14/15 £k	15/16 £k	16/17 £k	17/18 £k	18/19 £k	19/20 £k	20/21 £k	21/22 £k	Totals £k
2011/12	392	392	392	392	392	392						2,352
2012/13		648	648	648	648	648						3,240
2013/14			687	687	687	687	687					3,435
2014/15				576	576	576	576					2,304
2015/16					876	876	876	876				3,504
2016/17						705	699	699	699			2,802
2017/18							1,197	1,191	1,191	1,191		4,770
2018/19								714	714	714	714	2,856
2019/20									713	713	713	2,139
2020/21										1,054	1,054	2,108
2021/22											966	966
Total	392	1,040	1,727	2,303	3,179	3,884	4,035	3,480	3,317	3,672	3,447	**30,476**

7.7 Despite the reduction in the level of "reward" for housing growth, the growth trajectory indicates that funding through NHB should remain considerable.



8 Council Tax

8.1 The Secretary of State has confirmed within the Provisional Settlement that Shire Districts are able to increase council tax by the greater of 1.99% or £5 (on a Band D) in 2017/18 without the need for a referendum.

8.2 The 2016/17 annual basic tax rate towards the cost of Taunton Deane Borough Council services, for the average Band D property, is £142.88, and the Council also included £1.74 in respect of the Somerset Rivers Authority (SRA), making the total Band D charge £144.62 on the face of Band D tax bills in 2016/17.

8.3 Executive are minded to recommend to Full Council the option to increase

Council Tax by 3.46% which equates to the £5 limit on a Band D property, and this is reflected in the draft budget estimates for 2017/18. For an average Band D property this will set the tax rate at £149.62 or £2.87 per week (comprising £147.88 for Taunton Deane services and £1.74 for the SRA). Any increase above this amount would require a referendum of local tax payers.

8.4 The approved Tax Base for 2017/18 is 40,843.2 Band D Equivalents, an increase of 1,770.3 (4.5%) compared to 2016/17. The draft budget estimates for Council Tax income for TDBC is therefore 40,843.2 x £147.88 = £6,039,887 (rounded). This represents a total increase of £457,157 compared to the previous year. The budget estimates are calculated as follows.

	£
Council Tax Income Budget 2016/17	5,582,730
Increase due to change in Tax Base (Band D equivalents)	252,940
Increase due to proposed 3.46% increase in Tax Rate	204,217
Estimated Balance as at 31 March 2017	6,039,887

9 Special Expenses/Unparished Area Budget

9.1 The previous MTFP estimates assumed the Special Expenses Rate (SER) would be subject to a 1.99% increase in 2017/18.

9.2 The Executive are minded to increase the Special Expenses (Unparished Area) precept by 2p on a Band D property, raising an additional £300 whilst still remaining within the £5 Band D referendum trigger level.

9.3 The Special Expenses income raised through council tax in 2016/17 is £43,360 which is a Band D Equivalent charge per year of £2.98 for the Unparished area of Taunton. In addition, the Unparished Area Budget has received a CTS Grant of £4,020 in 2016/17 giving a total budget of £47,380. The 2p increase on a Band D property would therefore increase the charge tor the Unparished area to £3.00. This would raise an additional £300 after the underlying increase due to growth.

9.4 At the Full Council meeting on 15 December 2015 Members agreed to reduce the grant funding provided to towns and parishes by 1/3rd in 2016/17; 1/3rd in 2017/18 and therefore the CTS grant is expected to be phased out by 2018/19.

9.5 The proposed budget for 2017/18 is therefore £46,911, funded as shown below.

Special Expenses (14,966.86 x £3.00)	£44,901
Grant for CTS	£2,010
Total Unparished Area Budget 2017/18	£46,911

9.6 The Unparished Area Fund currently holds an unallocated balance of £28,592 which will be allocated to schemes agreed in future by the Grants Panel/Portfolio Holder.

10 Council Tax Support (CTS) Grant and Funding for Parishes

10.1 As previously documented, the Government included an unspecified amount of funding for the Council's share of CTS within the baselines for Revenue Support Grant and retained Business Rates in 2015/16. As this funding was included in the baseline it is not transparent as to how much funding would be received for CTS in later years. However, the 2016/17 Provisional Settlement included the indicative funding projections with RSG reducing to nil by 2019/20 plus a potential cut to the business rates baseline in 2019/20. At Full Council on 15 December 2015, Members approved the revision of the Local Council Tax Support Scheme from 1 April 2016. This included within the approvals the preferred option to reduce funding for CTS to parish councils and the Unparished area by 1/3rd in 2016/17, 1/3rd in 2017/18 with no grant paid in 2018/19. This has resulted in the following grant funding from TDBC:

Table 7 – Council Tax Support Grant Funding

	2016/17 £	2017/18 £	2018/19 £
Grants payable to Town and Parish Councils	25,980	12,990	0
Grant allocated to Unparished Area Budget	4,020	2,010	0
Total funding to be passed on for CTS	30,000	15,000	0

11 Somerset Rivers Authority

11.1 Members will be aware that the Somerset Rivers Authority are unable as yet to raise their own precept and it is therefore proposed and supported by the Board members to follow the same arrangements as 2016/17 and raise a precept for the same Band D value, ie £1.74 per year, which is currently included in our base rate. This will raise £71k funding from TDBC in 2017/18. Keeping the precept at this level will make it easier to "unravel it" from our Council Tax computations when the Rivers Authority has precepting power.

11.2 The overall opportunity across Somerset aims to raise £2.7m in funding for the SRA in 2017/18. SRA Board members will consider their 2017/18 budget at a meeting being held at the offices of Taunton Deane Borough Council at 10am on Wednesday, 8 February. Comprehensive details of individual proposed schemes will be shared on the Meetings and Papers section of the SRA website on Wednesday, 1 February: http://www.somersetriversauthority.org.uk/about-us/board-meetings-and-papers/. In the meantime, draft budget information shared with Somerset authorities indicates that the £2.7m has been prioritised to progress the five key workstreams within Somerset's 20 Year Flood Action Plan. These are:

- dredging and river management
- land management (including natural flood management)
- urban water management
- resilient infrastructure
- building local resilience

11.3 More can be read about the approach the SRA has taken to developing its programme of works for 2017/18 at http://www.somersetriversauthority.org.uk/about-us/board-meetings-and-papers/sra-board-meeting-16-january-2017/

12 Updated Budget Gap 2017/18 and Plans to Balance the Budget

12.1 The 2017/18 Budget Gap as presented to Scrutiny Committee on 8 Dec 2016 was £403k.

Table 7 – Draft Budget Gap 2017/18 Reconciliation

	See Para	£k	£k
2017/18 Budget Gap as reported to Scrutiny 30th June 2016			**527**
Service Cost Pressures:			
Business rates payable on our own properties		173	
Parking income trend below base budget		120	
Insurance premiums		49	
Pension Deficit no longer recharged to SWONE		44	
Apprenticeship Levy		36	
Subtotal – Service Cost Pressures			**422**
Service Cost Savings:			
Transformation Business Case savings		-164	
P4A deferred contingency for reduced HB subsidy for supported accommodation		-205	
Garden Waste income increase in base demand assumption		-40	
Street cleansing contract savings		-50	
CCTV Maintenance costs funded from earmarked reserves (one off saving)		-50	
Deane Helpline income forecast increased		-15	
Support services allocations to HRA		-49	
Travel costs reduced through use of pool cars		-40	
Past service pension costs reduced budget requirement		-14	
Miscellaneous minor changes within detailed estimates		-17	
Subtotal – Service Cost Savings			**-644**
Funding Pressures and Savings:			
Business Rates Retention updated estimates for 2017/18 Revaluation, new Small Business Rates Relief etc.		423	
Business Rates Collection Fund Deficit 2016/17 (provisional)		38	
Transfer from Business Rates Smoothing Reserve offsetting previous years' deficit (above)		-38	
Council Tax Collection Fund Surplus 2016/17 provisional estimate		-167	
Council Tax Base 2017/18 increase (provisional)		-158	
Sub-total – Funding changes			**98**
2017/18 Budget Gap estimate Scrutiny 8th Dec 2016			**403**

12.2 The Provisional Settlement and some other material changes to budget estimates have significantly increased the Budget Gap for next year, from £403k in December to £859k in January 2017.

Table 8 – Budget Gap Following Provisional Finance Settlement

	£k	£k
Budget Gap as reported to Scrutiny 8th Dec 2016		**403**
Pension Deficit Recovery lump sum increase - GF share	273	
Pension Deficit Recovery lump sum increase - DHL share	17	
Pension Deficit Recovery lump sum increase - DLO share	42	
Pension contribution rate increased from 13.5% to 15.4% - GF	126	
Pension contribution rate increased from 13.5% to 15.4% - DHL	10	
Pension contribution rate increased from 13.5% to 15.4% - DLO	25	
HRA support services Recharges updated for increased pension costs	-37	
Updated Budget Gap		**859**
Fees and Charges - GF services	-18	
Fees and Charges - DHL	-26	
Council tax increase from 1.99% to 3.5% (£5 on a Band D)	-88	
Initial Savings Options	-123	
NHB Provisional Settlement Update and Redistribution	-675	
Transfer to Growth Reserve	675	
BRR estimate following Provisional Settlement	-71	
BRR Smoothing Reserve to fund BRR volatility in 17/18 (one-off)	-30	
Final NNDR1 completed for BRR	-394	
Additional DHL Fees and Charges to offset increased Pension costs	-27	
Interest on SWP Capital Loan	-17	
Proposals to Balance the Budget in 2017/18:		**65**
Transfer from BRR Smoothing Reserve *(updated since January Scrutiny)*	-65	
Budget Gap Closed		**0**

Pension Deficit lump sum/Pension contributions

12.3 We have received the initial details of the triennial valuation of the LGPS. The formal valuation documentation is not due to be issued until mid-March but we have had prior notice (which is unlikely to change) of the impact on our budgets. The figures we have been given indicate that the actuaries will propose a significant increase to our lump sum payments and Employers contributions for 2017/18 and in the future.

12.4 This is a significant unforeseen pressure and reflects the current markets and changes in assumptions adopted by the actuaries. We have little scope for disputing the rises as the work behind the assumptions is highly specialised and detailed and therefore likely to be appropriate. The pressures shown are for the General Fund but there will also be an impact for the HRA. The figures in the table above are net of this apportionment.

12.5 The total pension fund deficit payment in the GF for 2017/18 is expected to be £1,270,000 (£332,000 higher than previous estimates per the 2013 valuation) and takes up 9.3% of the Council's net funding. By 2021/22 this lump sum is projected to rise to £1,416,000 which would take up 10.8% of projected net funding in that year.

Business Rates Collection Fund Deficit

12.6 Where the total amount of business rates collected during the year varies from the budget estimates this results in a surplus or deficit balance in the Collection Fund. TDBC is liable for 40% of any balance, with the final projected deficit in 2016/17 forecast at £96,062. Our 40% share of this is £38,425, which needs to be paid into the Collection Fund in 2017/18.

Business Rates Retention

12.7 As stated earlier in this report (see para 6.2) the business rates retention figure has shown an increase for 17/18 of £78,982, following the finalisation of estimates.

New Homes Bonus

12.8 As stated earlier in this report (see section 7) the NHB grant funding has increased from our previous estimates, due to significant growth but this has been partly offset by a new "top-slice" of 0.4% to the growth figures.

Fees and Charges

12.9 Fees and Charges for 2017/18 were approved by Full Council in December and this resulted in a £44k reduction in the Budget Gap. Following the emergence of the Pension Deficit pressures, Deane Helpline have revised their proposed increase to mitigate this cost as is appropriate for a trading unit. The details are shown in Appendix C. Executive are requested to recommend this additional increase.

Savings Options

12.10 The initial savings options totalling £122,720 were outlined to Corporate Scrutiny at the meeting in December. Since that time, Executive has indicated their intention to progress with those savings proposals and they have been applied to the MTFP projections pending approval by Full Council.

12.11 The savings options are set out in more detail in Appendix B. The options are summarised here:

Table 9 – Savings Options

Saving – Service Description	**£**
Provision of Christmas lights grant to Wellington Town Council and Wiveliscombe	10,000
Small Business Grants	10,000
Rural Business Grants	10,000
Deane Despatch	2,000
TDBC Yearbook and diary	1,500
Members Training	2,000
Redirect CCTV maintenance costs to car parking budget	49,000

A reduction in collection of dog waste bins to twice a fortnight.	11,000
Reduction of grants – Village halls and Play areas	5,000
Revenues and Benefits Service operating overheads	6,220
Revenues and Benefits Equipment including IT software & Hardware	5,000
Feed in Tariff income	11,000
Total Savings Options	**122,720**

13 2017/18 Draft Budget Summary

13.1 The following table provides a summary of the latest Draft Budget position for 2017/18.

Table 10 – Draft Revenue Budget 2017/18

	Budget 2016/17 £	**Estimates 2017/18 £**
Total Spending on TDBC Services	9,931,503	11,786,444
Somerset Rivers Authority Contribution	67,987	71,067
Revenue Contribution to Capital	482,500	401,500
Capital Debt Repayment Provision (MRP)	180,060	235,060
Interest Costs	0	0
Interest Income	-314,000	-380,875
Parish Precepts	640,320	640,316
Grants to Parishes for CTS	25,980	12,990
Special Expenses	43,360	44,901
Grants to Unparished Area	4,020	2,010
Transfers to/from Earmarked Reserves	3,334,152	1,868,242
Transfer to/from General Reserves	0	0
AUTHORITY EXPENDITURE	**14,395,882**	**14,681,655**
Retained Business Rates	-2,959,304	-3,038,286
Revenue Support Grant	-1,235,137	-644,801
Rural Services Delivery Grant	-27,582	-22,271
Transition	-16,930	-16,864
New Homes Bonus	-3,883,310	-4,034,730
Surplus(-)/Deficit on Collection Fund – Council Tax	-130,890	-166,957
Surplus(-)/Deficit on Collection Fund – Business Rates	191,668	38,425
Demand on Collection Fund – Parishes and SER	-683,680	-685,217
Expenditure to be financed by Council Tax	***5,582,730***	***6,039,887***
Council Tax raised to fund SRA Contribution	***67,987***	***71,067***
Total Council Tax Raised by TDBC	**5,650,717**	**6,110,954**
Divided by Council Tax Base	39,072.9	40,843.2
Council Tax @ Band D – Taunton Deane Services	**142.88**	**147.88**
Council Tax @ Band D – Somerset Rivers Authority	**1.74**	**1.74**
Council Tax @ Band D – TDBC including SRA	**144.62**	**149.62**
Cost per week per Band D equivalent	**2.77**	**2.87**

14 Revised MTFP Position

14.1 The updated MTFP forecast is summarised below, reflecting the updates described in this report.

Table 11 – Revised MTFP Summary as at 9 February 2017

	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Services Costs	9,931,503	11,786,444	9,815,874	9,626,814	10,027,695	10,501,781
Net Financing Costs	348,560	255,685	576,680	574,790	572,900	571,010
SRA Contribution	67,987	71,067	0	0	0	0
Special Expenses	43,360	44,901	44,901	44,901	44,901	44,901
CTRS Grants	30,000	15,000	0	0	0	0
Earmarked Reserves-Growth	3,491,331	3,642,752	3,087,363	2,924,490	3,279,861	3,055,236
Earmarked Reserves-Other	-157,179	-1,774,510	52,717	52,720	52,719	52,724
General Reserves	0	0	0	0	0	0
Net Expenditure	**13,755,562**	**14,041,339**	**13,577,535**	**13,223,715**	**13,978,076**	**14,225,652**
Retained Business Rates	-2,959,304	-3,038,286	-3,100,622	-3,012,141	-3,050,613	-3,089,465
Business Rates prior year surplus/deficit	191,668	38,425	0	0	0	0
Revenue Support Grant	-1,235,137	-644,801	-279,788	0	0	0
Rural Services Delivery Grant	-27,582	-22,271	-17,132	-22,271	-22,271	-22,271
Transitional Grant	-16,930	-16,864	0	0	0	0
New Homes Bonus	-3,883,310	-4,034,730	-3,479,340	-3,316,470	-3,671,840	-3,447,220
Council Tax–TDBC	-5,582,730	-6,039,887	-6,267,772	-6,456,373	-6,650,655	-6,850,746
Council Tax–SRA	-67,987	-71,067	0	0	0	0
Council Tax – Special Expenses	-43,360	-44,901	-44,901	-44,901	-44,901	-44,901
Council Tax prior year surplus/deficit	-130,890	-166,957	0	0	0	0
Net Funding	**13,755,562**	**14,041,339**	**13,189,555**	**12,852,156**	**13,440,280**	**13,454,603**
Budget Gap	**0**	0	387,980	371,559	537,796	771,049
Budget Gap Increase	0	0	387,980	-16,421	166,237	233,253

14.2 The significant pressures leading to the Gap in 2018/19 are:

- £387k reduction in general revenue support funding
- One-off use of £144k BRR Smoothing Reserve in 2017/18 to mitigate volatility in business rates funding, collection fund deficit and to balance the budget
- One-off use of £50k earmarked reserves to fund CCTV costs in 2017/18
- One-off Council Tax Collection Fund Surplus of £167k in 2017/18
- £383k estimated inflation pressures on pay and contracts
- £360k phased maintenance costs for Deane House, mitigated by £355k following the Deane House decision to fully refurbish the property and to rent space to the Police.

Transformation of Services

14.3 The MTFP position above already includes the projected savings arising through the implementation of the Transformation Business Case, as summarised below. Without these savings the forecast budget gap would be even greater i.e. **£2.434m per year** by 2021/22. The savings from transformation included in the MTFP above are:

Table 12 – Transformation Savings

	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
Incremental Savings Delivered	164,000	611,000	690,000	14,000	14,000
Total annual savings	164,000	775,000	1,465,000	1,479,000	1,493,000

14.4 These figures do not include the further savings that are identified in the Business Case that would be delivered through creating a new Council (Option 2).

Recycle More – Budget Impact (2019/20 and 2020/21 ongoing)

14.5 Following the decision to support the new Delivery Model for the Waste Partnership, we have been able to reflect savings in 2019/20 (£229,500) and 2020/21 (£270k) ongoing. There is a pressure of £61k in the current year 16/17 which we will have to absorb through existing underspends but overall this is good news for the MTFP and the budget gap in later years.

Deane House

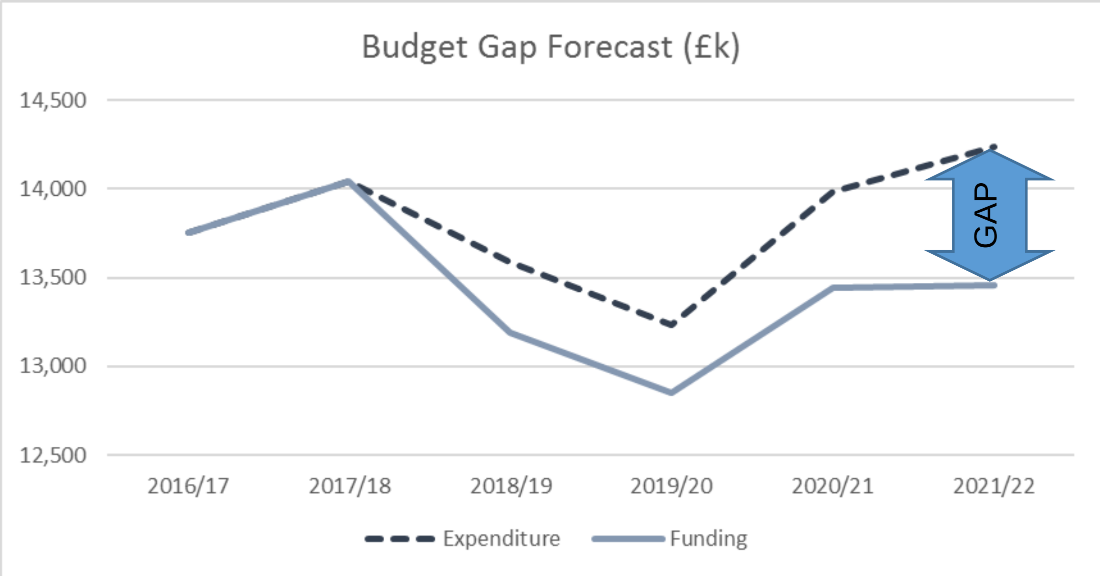
14.6 The MTFP has been adjusted to include the mitigating effect of the Deane House Refurbishment project, subject to approval of Full Council 6 Feb. The effect on each year is shown in the table below. The income is based on the occupation of the Police but clearly any additional tenants will bring further income.

	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Revenue Expenditure	1,656	(203)	204	206	209
Revenue Income	(13)	(152)	(161)	(163)	(166)
Funding from EMR	(1,643)	0	0	0	0
Total In-year Increase/(Decrease)	**0**	**(355)**	**43**	**43**	**43**

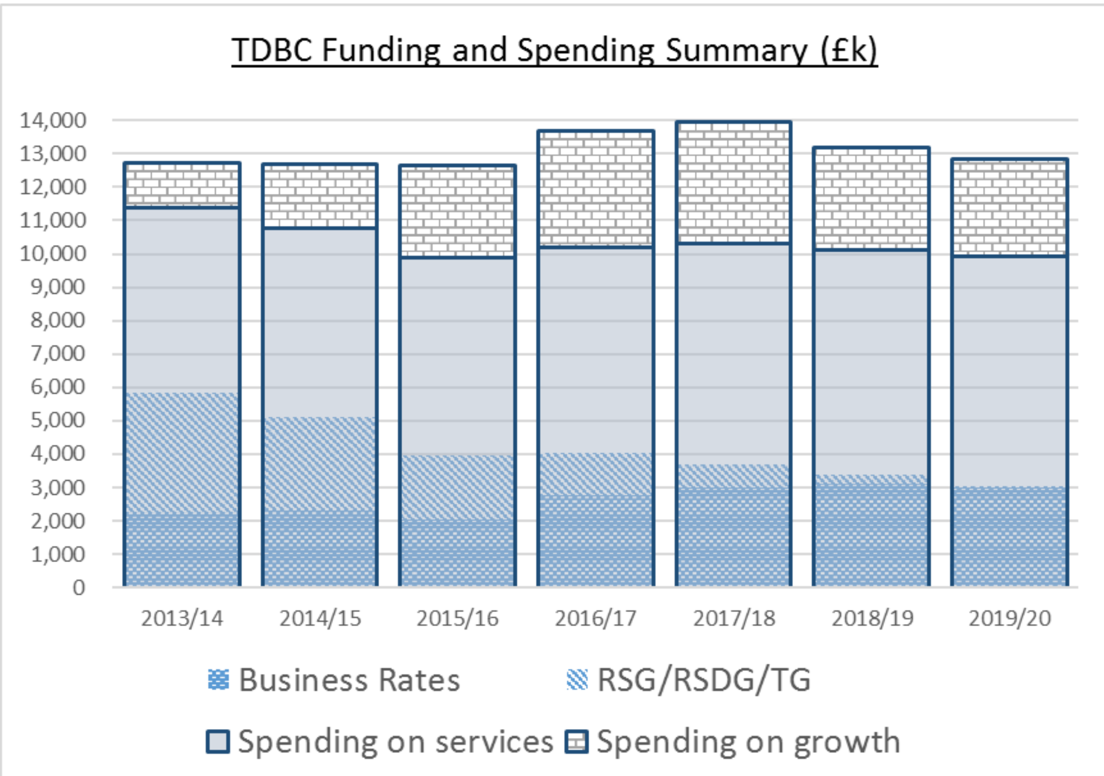
Medium Term Forecast

14.7 The forecasts for the medium term reflect the position for Taunton Deane Borough Council on its own. It is clear that 2018/19 is set to be a further challenge in terms of finding additional savings and/or income to close the budget gap. Any one-off use of reserves proposed to be applied to close the 2017/18 budget gap does not address the ongoing pressures and therefore further savings will be needed in future years.

14.8 We will need to start our work early to ensure we consider all our options for closing the gap including new ways of generating income; expanding the income generated from our existing funding streams and also finding new ways of finding service related savings; making economies and; finding further efficiencies in our ways of working. The graph below shows the budget gap i.e. the difference between projected funding and projected costs of current plans.



14.9 Despite the pressures brought about reductions in general grant funding, the Council's overall investment in services and growth has remained relatively steady. The following graph shows the total spend from 2013/14 to date and projected through to 2019/20, **before** savings to address the budget gap in future years. This shows how funding through RSG in particular is diminishing, and how general fund resources are being invested in services and growth.



15 DLO Trading Account

15.1 It has previously been decided to move the Building Maintenance section of the DLO to the Housing and Communities Directorship to align it with its main client – the Housing Revenue Account. This should provide greater transparency between the services. This will come into effect from 1 April 2017 and the budget duly reflects this.

15.2 The General Fund budget includes the trading surplus of £101k providing a contribution to the net income for the Council. Any additional surplus will be transferred to the DLO Trading Reserve.

DLO Trading Account 2017/18	**Costs** £k	**Income** £k	**Net** £k
Grounds	3,315	(3,416)	(101)
Nursery	139	(139)	0
Totals	**3,454**	**(3,555)**	**(101)**

15.3 The forecast reserves position for 2017/18 remains positive, and provides some resilience to volatility in trading performance and future investment needs.

DLO Trading Account Reserves	**2016/17** £k	**2017/18** £k
Estimated Balance Brought Forward	292	292
Forecast Outturn	0	0
Estimated Balance Carried Forward	**292**	**292**

16 Deane Helpline Trading Account

16.1 The draft budget had assumed an increase in fees to private customers from £4.99 per week to £5.40 per week and the charge to the HRA for TDBC Tenants is increased by £0.06 to £4.49 per week. This was approved by Full Council in December and reduced the budget gap in 2017/18 by £26,439. Following the emergence of the Pension Fund Deficit increase, Deane Helpline have revised their fees and an Appendix is attached to reflect this and mitigate the effect on the budget gap. This is referred to in the recommendations and in 12.9.

16.2 The income budget shown below is based on a prudent projection of income due in the year, and makes an allowance for income collection risks.

16.3 The nature of the service means that staff costs are susceptible to increase in order to maintain services through unplanned staffing absences. Some provision has been included within the expenditure budget to provide for essential cover arrangements, although the service manager has reviewed staffing rota arrangements to minimise costs in this area.

16.4 The summary trading account is as follows. There are no uncommitted reserves brought forward on this account.

Deane Helpline Trading Unit Estimates	**2016/17** £k	**2017/18** £k
Direct operating Costs	1,004	964

Recharges and Capital Charges	112	207
Income	(1,009)	(1,078)
Estimated Deficit	**107**	**93**

17 General Reserves

17.1 The current reserves position is above the recommended minimum, at £1.913m. The mid-year forecast for the 2016/17 budget is a projected underspend of £271k, which would increase the balance at the year end to £2.184m, however this is not certain at this stage.

Table 13 – General Reserves Balance 31 March 2017

	£
Balance Brought Forward 1 April 2016	2,113,085
Supplementary Budget – Transformation Implementation	-200,000
Current Budgeted Balance	**1,913,085**
2016/17 Projected Outturn Variance – Mid-Year Forecast	271,000
Projected Balance 31 March 2017	**2,184,085**
Recommended Minimum Balance	1,600,000
Projected Balance above recommended minimum	584,085

18 Capital Programme

18.1 This is covered in a separate report.

19 Robustness of the Budget Process

19.1 The Local Government Act 2003 requires a report on the adequacy of the Council's financial reserves and for the S151 Officer to report on the robustness of the budget plans. As in previous years a number of factors have been considered in this assessment, the details are which are in Appendix B to this report.

Conclusion of the Robustness of the Budget and Adequacy of Reserves

19.2 Based on the evidence I have reviewed, I am able to confirm that I believe the Council's reserves to be adequate, and the Executive's draft budget proposals for 2017/18 to be sufficiently robust.

19.3 Whilst the budget for 2017/18 is balanced with the support of funding from the Business Rates Smoothing Reserve, this is deliberate to smooth the impact of policy and revaluation change re NDR on the taxpayer. Looking ahead, the medium term financial plan shows that we have a gap of £388k for 2018/19. The future forecasts are the position assuming transformation is delivered on time and at the level predicted in the business case.

20 Links to Corporate Aims / Priorities

20.1 It is important that Councillors recognise the financial position, challenges and risks faced by the Council and fully engage in the corporate and financial planning processes in order to determine an affordable and sustainable set of corporate aims and priorities. This should lead to the Council approving a sustainable final budget and MTFP in February 2017.

21 Finance / Resource Implications

21.1 The Council's financial position is set out above within the body of this report. Whilst the draft budget estimates present a balanced draft budget for 2017/18 this relies to some extent on the use of reserves to mitigate the reduction in business rates funding. The Budget Gap for 2018/19 is challenging.

21.2 It is important that Councillors have a good understanding of the financial position and forecasts over the medium term.

21.3 The MTFP reflects the projected savings from transformation of council services. It does not include the potential further savings projected through the creation of a new single council to replace Taunton Deane and West Somerset Councils.

22 Legal Implications

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

23 Environmental Impact Implications

23.1 None for the purposes of this report.

24 Safeguarding and/or Community Safety Implications

24.1 None for the purposes of this report.

25 Equality and Diversity Implications

25.1 Equalities Impact Assessments are not required for the proposed savings.

26 Social Value Implications

26.1 None for the purposes of this report.

27 Partnership Implications

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

28 Health and Wellbeing Implications

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

29 Asset Management Implications

29.1 None directly for the purposes of this report. The financial implications associated with asset management will be reflected in due course.

30 Consultation Implications

30.1 Details of budget estimates have been shared with UNISON as the budget process has progressed.

31 Scrutiny Comments

31.1 Corporate Scrutiny Committee noted the report including the latest draft estimates for the General Fund Revenue Budget. The following salient comments and questions were noted:

- The Committee noted the proposed tax increases for both the main basic council tax for the whole area of Taunton, at £5 per year on a Band D, and also the proposed 2p per year increase on the special expenses Band D rate for the unparished area. The relationship between these increases and the referendum limit was clarified.
- The Committee noted its concern and disappointment that the Government is reducing the funding allocations applied to New Homes Bonus and requested the Council informs Government of its concerns. The AD Resources clarified that the Leader had written to DCLG in response to the Provisional Settlement consultation regarding such concerns, and also noted that other bodies such as Rural Services Network, Society of District Council Treasurers, and the District Councils Network have also responded to the consultation echoing these concerns.
- It was commented that the Council has performed well in delivering housing growth and this was demonstrated in the calculation of new homes bonus, despite the changes in grant methodology, and council tax revenues.
- The Committee recognised the financial plans of the Authority have been reasonably accurate in reflecting the potential changes in funding.
- Clarification was sought on Council Tax equalisation in the event a new council being formed covering the current areas of Taunton Deane and West Somerset. Under the new council there would be a transition to a common council tax rate covering the whole area. Currently the tax rates of Taunton Deane and West Somerset are fairly close together indicating that the transition in itself would be unlikely to have a significant effect on the basic tax rate. Both councils will set the 2017/18 council tax in February Full Council meetings. The rates recommended for approval (excluding the SRA and special expenses) are: TDBC £147.88 and WSC £150.56.
- Clarification was sought on the change between 2016/17 and 2017/18 for Deane Helpline recharge and capital charges. This will be provided directly to members of the Committee.

Democratic Path:

- **Corporate Scrutiny Committee – 26 January 2017**

- **Executive – 9 February 2017**
- **Full Council – 23 February 2017**

Reporting Frequency: **Annual**

Contact Officers

Name	Jo Nacey	Name	Paul Fitzgerald
Direct Dial	01823 356537	Direct Dial	01823 358680
Email	j.nacey@tauntondeane.gov.uk	Email	p.fitzgerald@tauntondeane.gov.uk

TAUNTON DEANE BOROUGH COUNCIL - BUDGET OPTIONS 2017/18

Appendix A

Service Manager	Portfolio Holder	Service Option Heading	Description of the Service Option	2017/18 £	Business Case: Service Impact Explained	Risk Management	Public Impact	Operational Impact	Confidence	Links to Corporate Business Plan	Environmental Implications	Community Safety Implications	Equalities Impact	Partnership Implications	Legal Considerations and References	Health and Wellbeing Implications
David Evans	Cllr Edwards	Marketing the area through culture	Provision of Christmas lights grant to Wellington Town Council and Wiveliscombe	10,000	Removes historic sum provided for lights. The Town Council will need to address this through precepting or utilising their own budget	Early communication with WTC indicates that they have adequate provision in place. Approach to lights is equitable by reducing also in Wiveliscombe.	Med	Low	High	None	None	None	none	Impact on work with Town Council but should be able to be dealt with through appropriate communication	None monies are provided as ad hoc grant	None
David Evans	Cllr Edwards	Local Business Networks	Small Business Grants	10,000	Small businesses are currently given the opportunity quarterly to apply for grants of up to £500 for training and equipment. This provision would be removed which would mean businesses would need to find alternative sources of funding	Businesses have historically used this grant although take up in recent times has reduced. It is unclear what factors are affecting this reduction. Signposting will need to be put in place to guide start ups and businesses to other sources of finance	Med	Low	High	Key theme 2 h - whilst not a specific action in 16/17 this removal will change the way the Corporate plan target is supported	None	None	None	None	None	none
David Evans	Cllr Edwards	Local Business Networks	Rural business Grants	10,000	Rural business grants are currently provided to assist key businesses in rural locations such as post offices, pubs etc. the reduction proposed would remove the budget. The proposal would be to include rural business support within the residual amount available from the former investment grants pot of monies	Whilst removing the revenue budget the retention of this type of grant within the general portfolio of activity means that where significant issues occur we would still be able to address the need. We would retain the investment grant monies as a reserve for this eventuality	Low	Low	High	key theme 2 h - whilst not a specific action in 16/17 this removal will change the way the Corporate plan target is supported. When members reviewed grants at scrutiny they suggested this grant be kept. It is therefore important to retain the investment grant monies as a reserve	None	None	No issues as budget will be retained in different form	None	None monies are provided as ad hoc grants with appropriate conditions	None
Debbie Rundle	Cllr Edwards	PR	Deane Despatch	2,000	The promotion of the area was still key to the growth priority but it is considered that some renegotiation/examination of how this budget is spent/utilised could still deliver a beneficial impact with a reduced budget.	Medium - amended arrangements need to be negotiated/identified.	High	Med	Low	Supports the growth agenda	None	None	None	Can be used to promote partnership working so would have a potential negative impact	None	None
Richard Bryant	Cllr Parrish	Democratic Services	TDBC Yearbook and diary	1,500	Cancel the production of the yearbook/diary for 2018. This would give notice to need to produce some of the information in other formats for members and others and would fit in more with the digital way of working.	Medium - as members and others have become used to having the booklet available.	Low	Med	Low	None	None	None	None	Useful document to share with partners to provide basic information about the council in one place	None	None
Richard Bryant	Cllr Parrish	Democratic Services	Members Training	2,000	Reduce the current budget of £6,000 to £4,000. In past years this budget has not been fully utilised and so it is considered that the remaining amount should be sufficient to meet needs.	Medium - the reduced budget may not meet demand should it rise although there are other sources of training for members which do not require council funding.	Med	Med	Low	None	None	None	None	Some training will support partnership working	None	None
Scott Weetch	Cllr Berry	CCTV realignment of costs	Redirect CCTV maintenance costs to car parking budget	49,000	There are a number of CCTV cameras that cover our car parks, this portion would be the cost of those cameras moved to the parking maintenance budget and the saving made from the current budget location. No increase in the parking maintenance budget is proposed and as a result less maintenance would be carried out.	Less maintenance of an equal value would be carried out within our car parks	Low	Low	High	None	None	None - the cameras would still be in place and monitored but the cost would be directed to the parking budget	None	None	None	None
Erica Lake	Cllr Berry	Dog waste bin collection	A reduction in collection of dog waste bins to t	11,000	Under this option dog waste bins would be collected twice a fortnight instead of the current 3 times a fortnight in most locations.	Dog waste bin may become full / overflow and in hot summer months the smell may be greater than normal	Med	Low	Med	Overflowing dog waste bins would be unsightly and smelly	Overflowing dog waste bins would be unsightly and smelly	None	None	None	None	None
Alison North	Cllr Herbert	Grants for Voluntary Village Halls & Community Centres, Sports Clubs, and Parish Play Areas	Reduction of these grants	5,000	Further work is needed on the administration of these grants to enable a £5k reduction. There may be a standard grant available e.g. £500. These grants would be merged to make a bigger pot over the two areas.	Less funds available for match funding projects.	Med	Low	High	None	None	None	None	Whilst these are not formal partnerships these grants are given with an element of control over the outcome, the loss of these grants may mean TDBC lose any control in the outcome	None	Access to play and improved play equipment may suffer as a result of these grant losses
Heather Tiso	Cllr Parrish	Revenues and Benefits	Service operating overheads	6,220	Cuts to a range of operating overhead budget headings, with service required to manage within a reduced cash limit. Savings made to professional subscriptions, childcare allowances, training, stationery, subscriptions, seminars & conferences and fees & hires.	Costs are discretionary and would reduce overheads to minimum level for current service demands and standards.	Low	Low	High	General operating efficiency	Reduction in stationery costs through increased use of electronic claim solution, also impacting positively on the environment due to reduced paper usage	None	None	None	None	None
Heather Tiso	Cllr Parrish	Revenues	Equipment including IT software & Hardware	5,000	Reduced budget for equipment (general) and no budget for replacing/buying any new hardware. Reduced budget for software	No new/replacement IT equipment.	Low	Low	High	None	None	None	None	None	None	None
Simon Lewis	Cllr Warmington	Solar Panels	Feed in tariff income previously used to fund a budget which is no longer needed.	11,000	Feed in tariff income to be used to contribute towards a budget saving in operating council assets rather than set aside to fund new initiatives.	No risk	Low	Low	High	None	None	None	None	None	None	None
				122,720												

TAUNTON DEANE BOROUGH COUNCIL - BUDGET OPTIONS 2017/18

Appendix A

Service Manager	Portfolio Holder	Service Option Heading	Description of the Service Option	2017/18 £	Business Case: Service Impact Explained	Risk Management	Public Impact	Operational Impact	Confidence	Links to Corporate Business Plan	Environmental Implications	Community Safety Implications	Equalities Impact	Partnership Implications	Legal Considerations and References	Health and Wellbeing Implications
David Evans	Cllr Edwards	Marketing the area through culture	Provision of Christmas lights grant to Wellington Town Council and Wiveliscombe	10,000	Removes historic sum provided for lights. The Town Council will need to address this through precepting or utilising their own budget	Early communication with WTC indicates that they have adequate provision in place. Approach to lights is equitable by reducing also in Wiveliscombe.	Med	Low	High	None	None	None	none	Impact on work with Town Council but should be able to be dealt with through appropriate communication	None monies are provided as ad hoc grant	None
David Evans	Cllr Edwards	Local Business Networks	Small Business Grants	10,000	Small businesses are currently given the opportunity quarterly to apply for grants of up to £500 for training and equipment. This provision would be removed which would mean businesses would need to find alternative sources of funding	Businesses have historically used this grant although take up in recent times has reduced. It is unclear what factors are affecting this reduction. Signposting will need to be put in place to guide start ups and businesses to other sources of finance	Med	Low	High	Key theme 2 h - whilst not a specific action in 16/17 this removal will change the way the Corporate plan target is supported	None	None	None	None	None	none
David Evans	Cllr Edwards	Local Business Networks	Rural business Grants	10,000	Rural business grants are currently provided to assist key businesses in rural locations such as post offices, pubs etc. the reduction proposed would remove the budget. The proposal would be to include rural business support within the residual amount available from the former investment grants pot of monies	Whilst removing the revenue budget the retention of this type of grant within the general portfolio of activity means that where significant issues occur we would still be able to address the need. We would retain the investment grant monies as a reserve for this eventuality	Low	Low	High	key theme 2 h - whilst not a specific action in 16/17 this removal will change the way the Corporate plan target is supported. When members reviewed grants at scrutiny they suggested this grant be kept. It is therefore important to retain the investment grant monies as a reserve	None	None	No issues as budget will be retained in different form	None	None monies are provided as ad hoc grants with appropriate conditions	None
Debbie Rundle	Cllr Edwards	PR	Deane Despatch	2,000	The promotion of the area was still key to the growth priority but it is considered that some renegotiation/examination of how this budget is spent/utilised could still deliver a beneficial impact with a reduced budget.	Medium - amended arrangements need to be negotiated/identified.	High	Med	Low	Supports the growth agenda	None	None	None	Can be used to promote partnership working so would have a potential negative impact	None	None
Richard Bryant	Cllr Parrish	Democratic Services	TDBC Yearbook and diary	1,500	Cancel the production of the yearbook/diary for 2018. This would give notice to need to produce some of the information in other formats for members and others and would fit in more with the digital way of working.	Medium - as members and others have become used to having the booklet available.	Low	Med	Low	None	None	None	None	Useful document to share with partners to provide basic information about the council in one place	None	None
Richard Bryant	Cllr Parrish	Democratic Services	Members Training	2,000	Reduce the current budget of £6,000 to £4,000. In past years this budget has not been fully utilised and so it is considered that the remaining amount should be sufficient to meet needs.	Medium - the reduced budget may not meet demand should it rise although there are other sources of training for members which do not require council funding.	Med	Med	Low	None	None	None	None	Some training will support partnership working	None	None
Scott Weetch	Cllr Berry	CCTV realignment of costs	Redirect CCTV maintenance costs to car parking budget	49,000	There are a number of CCTV cameras that cover our car parks, this portion would be the cost of those cameras moved to the parking maintenance budget and the saving made from the current budget location. No increase in the parking maintenance budget is proposed and as a result less maintenance would be carried out.	Less maintenance of an equal value would be carried out within our car parks	Low	Low	High	None	None	None - the cameras would still be in place and monitored but the cost would be directed to the parking budget	None	None	None	None
Erica Lake	Cllr Berry	Dog waste bin collection	A reduction in collection of dog waste bins to t	11,000	Under this option dog waste bins would be collected twice a fortnight instead of the current 3 times a fortnight in most locations.	Dog waste bin may become full / overflow and in hot summer months the smell may be greater than normal	Med	Low	Med	Overflowing dog waste bins would be unsightly and smelly	Overflowing dog waste bins would be unsightly and smelly	None	None	None	None	None
Alison North	Cllr Herbert	Grants for Voluntary Village Halls & Community Centres, Sports Clubs, and Parish Play Areas	Reduction of these grants	5,000	Further work is needed on the administration of these grants to enable a £5k reduction. There may be a standard grant available e.g. £500. These grants would be merged to make a bigger pot over the two areas.	Less funds available for match funding projects.	Med	Low	High	None	None	None	None	Whilst these are not formal partnerships these grants are given with an element of control over the outcome, the loss of these grants may mean TDBC lose any control in the outcome	None	Access to play and improved play equipment may suffer as a result of these grant losses
Heather Tiso	Cllr Parrish	Revenues and Benefits	Service operating overheads	6,220	Cuts to a range of operating overhead budget headings, with service required to manage within a reduced cash limit. Savings made to professional subscriptions, childcare allowances, training, stationery, subscriptions, seminars & conferences and fees & hires.	Costs are discretionary and would reduce overheads to minimum level for current service demands and standards.	Low	Low	High	General operating efficiency	Reduction in stationery costs through increased use of electronic claim solution, also impacting positively on the environment due to reduced paper usage	None	None	None	None	None
Heather Tiso	Cllr Parrish	Revenues	Equipment including IT software & Hardware	5,000	Reduced budget for equipment (general) and no budget for replacing/buying any new hardware. Reduced budget for software	No new/replacement IT equipment.	Low	Low	High	None	None	None	None	None	None	None
Simon Lewis	Cllr Warmington	Solar Panels	Feed in tariff income previously used to fund a budget which is no longer needed.	11,000	Feed in tariff income to be used to contribute towards a budget saving in operating council assets rather than set aside to fund new initiatives.	No risk	Low	Low	High	None	None	None	None	None	None	None
				122,720												

TAUNTON DEANE BOROUGH COUNCIL - BUDGET OPTIONS 2017/18

Appendix A

Service Manager	Portfolio Holder	Service Option Heading	Description of the Service Option	2017/18 £	Business Case: Service Impact Explained	Risk Management	Public Impact	Operational Impact	Confidence	Links to Corporate Business Plan	Environmental Implications	Community Safety Implications	Equalities Impact	Partnership Implications	Legal Considerations and References	Health and Wellbeing Implications
David Evans	Cllr Edwards	Marketing the area through culture	Provision of Christmas lights grant to Wellington Town Council and Wiveliscombe	10,000	Removes historic sum provided for lights. The Town Council will need to address this through precepting or utilising their own budget	Early communication with WTC indicates that they have adequate provision in place. Approach to lights is equitable by reducing also in Wiveliscombe.	Med	Low	High	None	None	None	none	Impact on work with Town Council but should be able to be dealt with through appropriate communication	None monies are provided as ad hoc grant	None
David Evans	Cllr Edwards	Local Business Networks	Small Business Grants	10,000	Small businesses are currently given the opportunity quarterly to apply for grants of up to £500 for training and equipment. This provision would be removed which would mean businesses would need to find alternative sources of funding	Businesses have historically used this grant although take up in recent times has reduced. It is unclear what factors are affecting this reduction. Signposting will need to be put in place to guide start ups and businesses to other sources of finance	Med	Low	High	Key theme 2 h - whilst not a specific action in 16/17 this removal will change the way the Corporate plan target is supported	None	None	None	None	None	none
David Evans	Cllr Edwards	Local Business Networks	Rural business Grants	10,000	Rural business grants are currently provided to assist key businesses in rural locations such as post offices, pubs etc. the reduction proposed would remove the budget. The proposal would be to include rural business support within the residual amount available from the former investment grants pot of monies	Whilst removing the revenue budget the retention of this type of grant within the general portfolio of activity means that where significant issues occur we would still be able to address the need. We would retain the investment grant monies as a reserve for this eventuality	Low	Low	High	key theme 2 h - whilst not a specific action in 16/17 this removal will change the way the Corporate plan target is supported. When members reviewed grants at scrutiny they suggested this grant be kept. It is therefore important to retain the investment grant monies as a reserve	None	None	No issues as budget will be retained in different form	None	None monies are provided as ad hoc grants with appropriate conditions	None
Debbie Rundle	Cllr Edwards	PR	Deane Despatch	2,000	The promotion of the area was still key to the growth priority but it is considered that some renegotiation/examination of how this budget is spent/utilised could still deliver a beneficial impact with a reduced budget.	Medium - amended arrangements need to be negotiated/identified.	High	Med	Low	Supports the growth agenda	None	None	None	Can be used to promote partnership working so would have a potential negative impact	None	None
Richard Bryant	Cllr Parrish	Democratic Services	TDBC Yearbook and diary	1,500	Cancel the production of the yearbook/diary for 2018. This would give notice to need to produce some of the information in other formats for members and others and would fit in more with the digital way of working.	Medium - as members and others have become used to having the booklet available.	Low	Med	Low	None	None	None	None	Useful document to share with partners to provide basic information about the council in one place	None	None
Richard Bryant	Cllr Parrish	Democratic Services	Members Training	2,000	Reduce the current budget of £6,000 to £4,000. In past years this budget has not been fully utilised and so it is considered that the remaining amount should be sufficient to meet needs.	Medium - the reduced budget may not meet demand should it rise although there are other sources of training for members which do not require council funding.	Med	Med	Low	None	None	None	None	Some training will support partnership working	None	None
Scott Weetch	Cllr Berry	CCTV realignment of costs	Redirect CCTV maintenance costs to car parking budget	49,000	There are a number of CCTV cameras that cover our car parks, this portion would be the cost of those cameras moved to the parking maintenance budget and the saving made from the current budget location. No increase in the parking maintenance budget is proposed and as a result less maintenance would be carried out.	Less maintenance of an equal value would be carried out within our car parks	Low	Low	High	None	None	None - the cameras would still be in place and monitored but the cost would be directed to the parking budget	None	None	None	None
Erica Lake	Cllr Berry	Dog waste bin collection	A reduction in collection of dog waste bins to t	11,000	Under this option dog waste bins would be collected twice a fortnight instead of the current 3 times a fortnight in most locations.	Dog waste bin may become full / overflow and in hot summer months the smell may be greater than normal	Med	Low	Med	Overflowing dog waste bins would be unsightly and smelly	Overflowing dog waste bins would be unsightly and smelly	None	None	None	None	None
Alison North	Cllr Herbert	Grants for Voluntary Village Halls & Community Centres, Sports Clubs, and Parish Play Areas	Reduction of these grants	5,000	Further work is needed on the administration of these grants to enable a £5k reduction. There may be a standard grant available e.g. £500. These grants would be merged to make a bigger pot over the two areas.	Less funds available for match funding projects.	Med	Low	High	None	None	None	None	Whilst these are not formal partnerships these grants are given with an element of control over the outcome, the loss of these grants may mean TDBC lose any control in the outcome	None	Access to play and improved play equipment may suffer as a result of these grant losses
Heather Tiso	Cllr Parrish	Revenues and Benefits	Service operating overheads	6,220	Cuts to a range of operating overhead budget headings, with service required to manage within a reduced cash limit. Savings made to professional subscriptions, childcare allowances, training, stationery, subscriptions, seminars & conferences and fees & hires.	Costs are discretionary and would reduce overheads to minimum level for current service demands and standards.	Low	Low	High	General operating efficiency	Reduction in stationery costs through increased use of electronic claim solution, also impacting positively on the environment due to reduced paper usage	None	None	None	None	None
Heather Tiso	Cllr Parrish	Revenues	Equipment including IT software & Hardware	5,000	Reduced budget for equipment (general) and no budget for replacing/buying any new hardware. Reduced budget for software	No new/replacement IT equipment.	Low	Low	High	None	None	None	None	None	None	None
Simon Lewis	Cllr Warmington	Solar Panels	Feed in tariff income previously used to fund a budget which is no longer needed.	11,000	Feed in tariff income to be used to contribute towards a budget saving in operating council assets rather than set aside to fund new initiatives.	No risk	Low	Low	High	None	None	None	None	None	None	None
				122,720												

TAUNTON DEANE BOROUGH COUNCIL **APPENDIX B**

ROBUSTNESS OF BUDGET ESTIMATES AND THE ADEQUACY OF THE COUNCIL'S RESERVES 2017/18

STATEMENT BY S151 OFFICER (CHIEF FINANCE OFFICER)

– Shirlene Adam, Director - Operations

1 INTRODUCTION

1.1 The purpose of this appendix is to outline and meet the statutory requirements contained in the Local Government Finance Act 2003 which requires the Council's Section 151 Officer to report to Members on:

- The robustness of budget estimates; and
- The adequacy of proposed reserves.

1.2 This appendix provides detailed evidence to support my assessment.

1.3 The conclusion of my review is set in the main body of the report (section 17) and repeated at the end of this appendix.

2 BACKGROUND

2.1 Taunton Deane Borough Council has a good financial track record and is recognised for being of sound financial standing. Our external auditors have continued to assess the Council's current arrangements for achieving financial resilience as "adequate".

2.2 The Council has, like many Districts, a tough financial challenge ahead. The Council has prioritised "Growth" and directs the majority of New Homes Bonus funding to this aim rather than supporting day to day service delivery. This means the Council faces a budget gap.

2.3 In July 2016 Full Council supported the Leaders recommendation to progress, the creation of a new transformed Council for the combined communities of West Somerset and Taunton Deane. This will deliver significant savings to the combined community and the financial impact of this transformation elements of the programme of change have been built into the Medium Term Financial Plan.

2.4 This was never envisaged to be the "entire" solution, but was a significant step towards viable service delivery for the community. The decision to progress the creation of a new Council delivers further savings for the combined community.

2.5 Since this business case was considered, there has been some shift in the Medium Term Financial Plan for <u>both</u> Councils. For Taunton Deane, the challenge has reduced from having to meet a gap of £2.5m by 2021/22 to a gap of £771k by 2021/22. This is largely due to the Transformation savings which account for £1.5m of ongoing savings by 2021/22 and general service savings of £123k which accompany this report. This has been partly offset by the £493k pressure of the Pension Fund Deficit which has crystallised in 2017/18 with an ongoing effect of increasing costs across services, but we have seen a mitigating effect of an increase in Council Tax base and a proposed increase in Council Tax bills. The proposal to balance the 2017/18 budget using reserves is simply to smooth the impact of the Business Rates changes over time. The Business Rates Smoothing Reserve is in place for this purpose and the use of £65k from this source is reasonable in the context.

2.6 The Council has accepted the “4 year deal” on RSG and therefore the budget position is as predicted in earlier plans. We know that we have only one more year of reduced RSG funding before it disappears completely.

2.7 On Business Rates, our position reflects the growth in our area over recent times, and, whilst we need to manage a significant risk on appeals, we are forecasting a net increase in retained Business Rates funding from last year of c£79k.

2.7 The 2017/18 budget proposal continues the separate charge introduced last year for the Somerset Rivers Authority – adding £1.74 on a Band D Tax position, equivalent to 1.25% of the 2015/16 tax rate.

2.8 The budget report prepared sets out the necessary detail to enable Members to make safe budget decisions for 2017/18 and to be sighted on the scale of the financial challenge ahead. From my perspective as your s151 Officer, the budget proposal shared by the Executive is based on the most accurate information available therefore they are an accurate reflection of the Council’s financial position. The key issues to be aware of are as follows:-

- The revenue, capital, and treasury forecasts are aligned and transparent.

- The budget proposal relies on the use of reserves to support day to day spending. The proposal recommends funding is taken from the Business Rates Smoothing Reserve and leaves the reserve at a level that manages the risks we face. Whilst not good practice to fund ongoing spend from reserves, for specific issues such as Business Rates volatility this makes sense and protects our community from “shocks” to the funding regime each year.

- Importantly, the budget proposal does not rely on the use of General Fund Reserves to support day to day spending.

- Looking ahead, the Council needs to now focus on developing plans to resolve the remaining budget challenges - for next year (18/19) and beyond. The decision taken recently to progress transformation and to create a new Council for our community is a large part of the answer, but does not go far enough to achieve financial sustainability for the longer term.

- The minimum level of reserves remains at £1.6m. Should the budget be approved, the General Fund Reserves are forecast to be £2.1m.

3 ROBUSTNESS OF BUDGET ESTIMATES

3.1 The proposed budget for 2017/18 (and the forecast position for future years) is the financial interpretation of the Council's strategic priorities and, as such, has implications for every citizen of Taunton Deane together with all other stakeholders.

3.2 The proposed budget reflects the Council's agreed Corporate Plan and the priorities allocated therein. In commenting on the robustness of the budget and level of reserves and balances, the following factors have been taken into consideration and are considered in the remainder of this appendix:

Section 4	Government funding
Section 5	Capital programme funding & HRA changes
Section 6	Inflation and other key assumptions
Section 7	Delivery of savings
Section 8	Risks and opportunities with partnerships
Section 9	Financial standing of the Council (level of borrowing, debt outstanding)
Section 10	Track record in budget management
Section 11	Virement and control procedures
Section 12	Risk management procedures
Section 13	Key risk issues in 2016/17 budget
Section 14	Adequacy of Reserves
Section 15	Conclusions

4 GOVERNMENT FUNDING

4.1 The Council, along with the majority of authorities in the country, accepted the 4 year settlement plan from Government. This provides certainty on the Revenue Support Grant funding for the coming years and gives confidence to that element of financial planning. The reduction in grant funding was therefore as predicted – with the Council receiving £683k (46%) less funding than last year. The final confirmation of this will be received in February 2017. Looking ahead, the level of grant reduces by a further 57% in 18/19 and is reduced to zero thereafter.

4.2 The Government continue to develop their policy to move to 100% retention of business rates by the end of this Parliament and shared consultation documents over the autumn of 2016. The detail on how the new scheme will work, and what funding levels will be like for Councils is not yet available and leaves significant uncertainty for all moving forward.

4.3 On council tax, the Government have once again set the upper limit at a £5 annual increase for District Councils, and have not imposed an upper limit on Parish Councils precept increases. The Council is proposing a tax increase at the maximum level of £5 – a sound financial policy in light of the financial challenges ahead. The Council's Band D tax charge is proposed to increase to £149.62 for 17/18. Parish Councils continue to be outside the referendum limit set by Government.

4.4 The new charge introduced last year to support the Somerset Rivers Authority will continue at the same level of £1.74 (Band D) in 2017/18.

5 CAPITAL PROGRAMME FUNDING

5.1 The Executive's draft budget proposals for the capital programme are set out in a separate agenda item at this meeting. To support the spending plans, councils are required to publish and monitor a set of Prudential Indicators. These will be set out in full in the Treasury Management Strategy Statement – which is shared separately for approval.

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

5.3 The Council embraced the new Government policy introduced last year to allow authorities the flexibility to use capital receipts received during a fixed time period to fund revenue spending that is transformational (ie brings revenue savings!). In July 2016, Full Council agreed to direct future capital receipts of £1.574m to part fund the programme of transformation.

6 INFLATION AND OTHER KEY BUDGET ASSUMPTIONS

6.1 I have reviewed the budget proposals and confirm the following key assumptions:-

Area of Budget	***How is this addressed within the TDBC budget process?***
Inflation assumptions	General – inflation has <u>not</u> been applied to budgets unless there is direct justification ie as a contract condition. Salaries – 1% for 2017/18 and 2% for 2018/19 and thereafter Utilities - based upon estimated contract increases. Pension Contributions – Following the latest triennial review by the actuary we expect to be paying 15.4% plus a lump sum of £1.898m in 2017/18. Major Contracts – as per the legal documents supporting the contracts
Income Levels	Income projections are based on <u>realistic</u> assumptions on usage, and the most recent Government guidance on fee levels when appropriate. They also take into account historic trends and current year variations against budget.

Area of Budget	***How is this addressed within the TDBC budget process?***
Economic assumptions	Investment interest assumptions are based on independent economic forecasts and include the impact of Treasury Management decisions made in earlier years.
Salaries Budgets	As one of the largest areas of spend, the salaries budgets have been reviewed in detail. They have been built up by costing each individual post and cross-checked to the JMASS proposals. The cost sharing arrangement agreed as part of JMASS remains in place.
Growth in service requirements	The MTFP identifies service growth areas e.g. refuse collection. This is then firmed up by detailed discussions with Managers during the budget process. Growth assumptions for future years in the Council Tax base have been updated to 4.5% in 2017/18 and then 1.75% in 2018/19 on a prudent estimate of the net effect of local growth, council tax support and other discounts.
Efficiency Initiatives	Where initiatives are sufficiently well developed, they are included in savings plans.
Significant Budget areas which are subject to change during the year	The high risk/high value budgets of the Council are rigorously examined and only prudent increases built into them. In addition when forecasting, the performance in both previous and current years is taken into account.
Member engagement in budget development	Corporate Scrutiny have been updated on the MTFP position several times during the budget setting process. The savings proposals were also shared for discussion. All Councillors have had the opportunity to be briefed on the proposals during their Group Meetings in January 2017.
Changes in Legislation	Legislative changes are analysed by officers and their effect built into the MTFP and budget.
Sustainability	The proposed budget takes into account the future financial pressures faced by the Council. The Council has set a balanced budget for 17/18 and the challenge for 18/19 is deliverable.

Area of Budget	How is this addressed within the TDBC budget process?
Sensitivity Analysis	The financial planning model allows the Authority to predict the likely outcomes of changes to key data ie inflation, council tax, government funding etc. This is helpful in sharing "what if…" scenarios internally and with partners and members. Committee budget reports also provide data on tax choices – showing the impact on the Council of this important decision.
The impact of the Capital Programme on the Revenue Budget	The MTFP identifies changes to the base budget as a result of the capital programme.

7 DELIVERY OF SAVINGS

7.1 The savings proposals presented in this draft budget have been reviewed for robustness, and are realistic and deliverable in terms of the level of saving and the timing.

7.2 Delivery of the transformation programme will be monitored during the year. Should there be any risk to the delivery of the identified savings, or the timing, this will be reported to Members via the budget monitoring regime.

8 PARTNERSHIP RISKS & OPPORTUNITIES

8.1 The Council has agreed to progress the creation of a new transformed Council. This is a priority and will be the main focus of resource over the coming year.

8.1 The Council has several other key partnership arrangements in place to support our ambitions and deliver key services. These are supported by contractual arrangements. There are performance management and governance arrangements in place for each partnership to ensure the Council's interests are protected, and that the expected benefits are fully realised. Risk registers are kept for each key partnership and are regularly reviewed by lead officers.

8.2 The most significant arrangement, our Joint Venture with Southwest One is now closed, with services and staff returning to the Council on 1st December 2016.

8.3 The other significant partnership in place is the Somerset Waste Partnership. The Waste Partnership has recently proposed a new operating model which should deliver savings to the partners and will help to address the budget challenges.

9 FINANCIAL STANDING OF THE COUNCIL

9.1 The Council fully complies with the Prudential Code and has an up to date Treasury Management Policy and Strategy in place and is operating within the agreed parameters. The Council's Treasury Management Practices are prudent and robust, ensuring the Council is not exposed to unnecessary risk in terms of its investment policies. We continue to work with our treasury advisors (Arlingclose) to maximise investment return whilst preserving capital.

9.2 The Council currently has £92.198m of outstanding external debt (which is within our maximum borrowing level of £220m), and £17.4m of internal debt. The Council currently has £46.8m of investments (reducing to c£32m by year end) placed in the markets in accordance with our policies.

9.3 The adequacy of the Council's reserves is discussed later in the appendix.

10 TRACK RECORD IN BUDGET MANAGEMENT

10.1 The Council has an excellent track record in budget management. The most recent years have resulted in the following outturn positions:-

Year	**Variance of Approved Net Budget**	
2013/14	-£0.964m	-6.7%
2014/15	-£0.222m	-1.7%
2015/16	-£0.280m	-2.1%
2016/17 Forecast	-£0.271m	-1.8%

10.2 In the context of a gross expenditure budget of >£91m, the above results are acceptable.

10.3 Members are currently provided with regular in-year updates on key budget variances (Corporate Scrutiny and Executive).

11 VIREMENT & CONTROL PROCEDURES

11.1 The Financial Regulations contain formal rules governing financial processes and approvals (virements are simply transfers of budget between departments). The Financial Regulations and Financial Procedure Notes will be reviewed during the next period to align to the ambitions set out in the transformation business case.

12 RISK MANAGEMENT

12.1 I am satisfied that the Council has adequate insurance arrangements in place, and that the cover is structured appropriately to protect the Council.

12.2 The Council operates a self-insurance fund and this is operating effectively. In recent years, we commissioned external advice on the minimum level of reserves that should be set-aside to support self-insurance. We still consider the £500k level recommended to be adequate.

12.3 The Council has a Risk Management Policy in place which defines how risk is managed at different levels in the organisation. It defines roles, responsibilities, processes and procedures to ensure we are managing risk effectively. This matter is reviewed regularly by the Corporate Governance Committee.

12.4 Equalities Impact Assessments (EIA) Reviews – where appropriate – are included for Members to review.

12.5 Financial risks are managed through budget setting and by our level of reserves. We mitigate as many risks are possible by following good practice, and by monitoring key financial risks on a regular basis.

13 KEY RISK ISSUES IN 2017/18 BUDGET

13.1 There are some areas of the proposed budget for 2017/18 that pose a financial risk moving forward. They are detailed below for Members attention. The figures in the proposed budget for 2017/18 are based on our best estimates, which I am comfortable are as robust as possible – but they can never be 100% guaranteed. These will require intensive monitoring throughout the year, and swift corrective action taken should they vary from budget. The issues I need to bring to Members attention are:-

13.2 **Business Rates Retention Scheme**. I am satisfied that the Council has put in place arrangements to monitor the flow of Business Rates income and valuation changes throughout the year. The information coming from our Revenues team is robust, and we need to continue to improve our modelling approach to ensure we are forecasting the budget impact with as much accuracy as possible. We need to engage services across the Council to work with us on ensuring all chargeable premises are notified and billed, and this will continue to be a focus of improvement during 17/18. There is a business case in development for investing more resource in this area to manage this risk which will need to be self-financing over the medium term.

13.3 The key risks associated with Business Rates Retention for Taunton Deane are:

13.3.1 **Level of Appeals**. The list of outstanding appeals for TDBC totals some £28m (325 appeal cases) and this is clearly a high risk area for us moving forward. We have built good working relationships with the Valuation Office, but this is a huge area of uncertainty that directly impacts on our financial sustainability. There remains a risk nationally on business rates regarding some public sector premises potentially being granted charitable relief. We continue to monitor. The 17/18 budget is set at £691k above the safety net level. The business rates smoothing reserve is forecast to be £1.8m, offering protection against any “shocks” in the system during 17/18.

13.3.2 **Collection Rates**. The continuing “challenge” of collecting tax from businesses who do not have funds remains. Previously the national pool funded any reduction in collection rates. This is now be an issue to be funded locally and we continue to work with businesses to ensure they are sighted on all the assistance available. This will be part of a business case for resources to address the risk I flag in 13.3.1 above.

13.3.3 **Reliefs**. All mandatory reliefs were previously funded nationally by the pool. Whilst this has been taken care of in the initial funding calculations, any new mandatory reliefs introduced by the Government would have to be funded 50 : 50 (Central : Local).

13.3.4 **Pooling.** The Council decided to join the new Business Rates Pool covering BANES, North Somerset, Somerset County Council, Mendip, Sedgemoor, and South Somerset in 2015/16. The pool has performed well, but will close at the end of 16/17 due to some partners progressing the devolution agenda. A new pool is forming (Sedgemoor, SCC and Mendip) but the Board do not consider it appropriate for Taunton Deane to join their new arrangement (due to risk of appeals in our area).

13.3.5 **Levy / Growth**. The "opportunity" is there for local authorities to benefit financially from growth. In simple terms, for every £1 of additional business rates generated (above the Govt set baseline) then TDBC under the current Pooling arrangement would keep c£0.37 however this will not apply in 2017/18 as explained above.

13.3.6 **Accounting Arrangements**: To mitigate the risk on this large income stream the Council created a Business Rates Smoothing Reserve. The reserve is predicted to be c£1.8m at the end of 17/18. This is an important means of mitigating fluctuations in Business Rates funding which would otherwise hit taxpayers.

13.4 **<u>Council Tax Reduction Scheme</u>**. Members have recently approved the new scheme for 2017/18. We will continue to monitor the financial impact on the Council. The key risks on this item remain as last year – on the level of take-up. To date we are managing this within approved budgets, but it is something that we monitor very closely.

13.5 **<u>Housing Benefits / Subsidy</u>.** The funding on this has once again reduced in 2017/18. We expect the responsibility for funding this to shift to local authorities in future years (linked to the 100% retention of NDR), and will monitor any consultations on this closely.

13.6 Subsidy budgets are very difficult to estimate due to the fluctuating volume of claims received and the different levels of subsidy payable of types of claimant error. The total benefit subsidy budget is approximately £33m – and therefore small fluctuations in this budget can have a big impact on the budget of the Council. Systems are in place to ensure this is monitored on a monthly basis. In addition assumptions on the level of subsidy payable on Local Authority overpayments are at a prudent level.

13.7 The impact of the introduction of the Universal Credit (UC) full service for new claimants will increase in the coming months, with expectations that HB caseload will start to reduce. Resources will still be required to maintain assessment work that informs the Council Tax Rebate scheme, and are also planned to be deployed to local support for personal budgeting advice and assistance to claimants with more complex claims that exceeds the support provided by the DWP. Whilst not yet known, we anticipate the migration of all existing HB cases to UC will take place within the next 2-4 years.

13.8 **<u>Interest Rates</u>** – Interest rates have been at a very low level for a long time. The

Executive's draft budget has been based on cautious and prudent assumptions on interest rate movements taken from forecasts issued by our Treasury Management advisors, Arlingclose. The Treasury Management Strategy is presented to Full Council for approval alongside the budget. This sets out our approach to our investments moving forward. We need to ensure our portfolio is spread widely and thinly to protect the public resource and we have ensured that we have the means and expert support from our advisers to ensure this is effective.

13.9 **Impact of Economic Changes** – the Council's budgets reflect our best estimates of the impact of current economic conditions. This is an issue we need to monitor continually through the budget monitoring process – particularly on income streams from car parking, land charges, building control and development control, and expenditure on issues such as homelessness.

13.10 **Car Park Fee Income** – as with every year this is a risk area for the Council that will need to be monitored closely.

13.11 **Trading Account – Deane Helpline**. The Executive's draft budget recognises the latest information on the expected financial position of the Deane Helpline. The service delivered to the public is excellent, and this will continue in 2017/18, but the underlying financial position, and in particular that of the recharges being placed on this service is in need of fundamental review. The challenge for us via transformation is to find a solution that offers the same valued outcome to our community but isn't underwritten by taxpayers.

13.12 **Joint Management & Shared Services** – The budget has been prepared based on the JMASS Business Case approved in 2013, and subsequent transformation business case approved in 2016.

13.13 **Overall Funding & Capacity Risk** – the level of Government funding has reduced again for 2017/18. The organisation has made significant savings over recent years, and as the Council reduces in size this brings risk in terms of capacity (to deliver new savings ideas and to deliver significant service change). Investment in our "transformation" agenda will be key to ensuring this risk is mitigated.

13.14 **NHB Funding of Growth Ambitions** - the Government have changed policy and are reducing the amount of funding being shared to local authorities via this route. They are reducing the number of years' payable, and are topslicing 0.4% for growth. The Growth programme has now been updated to reflect the updated funding position and is shared with Members as part of the capital programme report.

14 ADEQUACY OF RESERVES

14.5 With the existing statutory and regulatory framework, it is my responsibility as s151 Officer to advise the Council about the adequacy of the Council's reserves position.

14.6 All earmarked and unearmarked reserves are reviewed at least annually and my opinion updated during the budget setting process each year. The annual review considers not only the adequacy but the necessity of the reserves. Reserves are not held without a clear purpose.

14.7 The Executives draft budget for 2017/18 will rely on – as in earlier years - the use of a transfer from the New Homes Bonus Reserve of £392k and a contribution from the Business Rates Smoothing Reserve.

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

14.9 The headlines of my findings on each key reserve are set out in the remainder of section 14. My conclusions / opinion is set out in section 15.

General Fund Reserve

14.10 The predicted General Fund Reserve position is set out in section 17 of the main budget report. The Executive's proposed budget for 2017/18 does not require the use of any *General Fund* Reserves. The predicted balance on the General Reserve, having set the 2017/18 budget is £2.184m (assuming the predicted underspend in 2016/17 materialises).

14.11 The minimum level of reserves was last formally reviewed in 2016. The current policy is:

The General Fund Reserves should be maintained at a minimum of £1.6m (or £1.35m if being replenished via invest to save initiatives).

This policy remains.

Housing Revenue Account Reserve

14.12 The Housing Revenue Account balance is forecast to be £2.099m post budget approval. The minimum level of reserves for the HRA is currently £300 per property (approx. £1.8m).

14.13 The budget proposal does not require the use of any reserves to support ongoing spending.

Earmarked Reserves

14.14 At the end of 2017/18, the Council expects to have in the region of £11.6m in specific earmarked reserves. The main earmarked reserves include the following:

- Business Rates Smoothing Reserve £1.8m
- JMASS Reserve £2m
- Growth Reserves £2m

15 CONCLUSION

15.5 Based on the evidence I have reviewed, I am able to confirm that I believe the Council's reserves to be adequate, and the Executive's draft budget proposals for 2017/18 to be sufficiently robust.

15.6 Whilst the budget for 2017/18 is balanced with the support of funding from the Business Rates Smoothing Reserve, this is deliberate to smooth the impact of policy and revaluation change re NDR on the taxpayer. Looking ahead, the medium term financial plan shows that we have a gap of £388k for 2018/19. The future forecasts are the position assuming transformation is delivered on time and at the level predicted in the business case.

Shirlene Adam
Director – Operations (s151 Officer)
January 2017

Appendix C

Taunton Deane Borough Council
Fees and Charges 2017/18

Deane Helpline – Revised

Background

The Deane Helpline Service provides community alarms, 24 hour monitoring, installation and emergency response services to over 2,900 vulnerable Taunton Deane residents and community alarm monitoring, Out of Hours Service and Lone Worker Monitoring to Taunton Deane Borough Council and external corporate customers which include Housing Associations and other Local Authorities. Overall there are approximately 13,000 connections to the service.

Legal Authority

Deane Helpline is a Trading Account of TDBC and as such charges for the service are set locally and a profit can be returned. All increase letters must be sent by the 28th February to provide sufficient legal notice. In addition due to the new Finance system being brought online in April any increases for the 2017/2018 financial year have to be completed as soon as possible.

Charges

Deane Helpline normally uses the average rate of CPI in the preceding 12 months to determine any price increase. Due to the economic position this has led to a price freeze last year despite operating costs continuing to rise.

Having researched our competitors pricing position it is clear that we are falling behind the average price charged for similar services.

Provider	Installation Charge	Weekly Charge	Total 1st year costs	Emergency Response
Forestcare - With Response	£0	£10.27	£534.04	Yes
Your Homes Newcastle - Now Ostara	£0	£5.95	£309.40	Yes
Swindon Homecare	£0	£5.74	£298.48	Yes
Poole Lifeline	£0	£5.66	£294.32	Yes
Magna West Somerset	£0	£5.43	£282.36	Yes
Progress Lifeline	£20.00	£5.10	£285.20	Yes
Deane Helpline	**£35.00**	**£4.99**	**£294.48**	**Yes**
Sedgemoor Careline	£42.50	£4.54	£278.58	Yes

The current charge for private customers is £4.99 per week this was originally proposed to increase by 10% to £5.49 per week from 1/4/17. Installation fees, Telecare Sensor charges and Contact Service Call charges would remain unchanged.

The original Fees & Charges proposal was based on an expected increase of £9k on the Pension Levy and an £11k increase to operating costs including an expected 1% salary increase. The increase in Deane Helpline's charges in the original submission would have improved the overall financial stability of the service by £26,439. Councillors requested that a revised Fees & Charges proposal be prepared for Deane Helpline to cover these additional costs.

Following further investigation of the expected Pension Levy the increase for 2017/2018 has actually increased by £42,150.

Financial Year	Additional Pension Levy Budget	Increase
2015/2016	£ 37,382.00	-
2016/2017	£ 46,200.00	£ 8,818.00
2017/2018	£ 88,350.00	£ 42,150.00

In order to account for this additional cost we need to adjust our proposed fee increase for 2017/2018. Increases to Corporate Clients are regulated by contract so cannot be increased beyond the agreed amount they will therefore increase by the average rate of RPI over the preceding 12 months, this is 1.3% unless specifically stipulated in the contract.

Private and Council Tennant charges can be increased with notice.

	Forecast Income 2016/2017	Weekly Charge	Original Forecast Income 2017/18	Original Proposed Weekly Charge	Additional income required	Required Income
Private Clients	£ 474,265	£ 4.99	£ 521,789	£ 5.49	£ 34,862	£ 556,651
Council Tenants	£ 248,789	£ 4.43	£ 252,158	£ 4.49	£ 18,288	£ 270,446
Corporate Contracts	£ 289,830	-	£ 293,598	-	-	£ 293,598
	£ 1,012,884	-	£ 1,067,545	-	£ 53,150	£ 1,120,695

It is therefore proposed that fees for Private and Council tenants are increased by £0.87 per week and £0.37 per week respectively. If this proposal is approved all increase letters have to be sent by the 28th February to provide sufficient legal notice.

Should our competitors introduce an expected 1.3% CPI increase our position will move to the upper range. Deane Helpline provides a high quality service so this is consistent with the market and still represents good value for money.

Provider	Installation Charge	Weekly Charge	Total 1st year costs	Emergency Response
Forestcare - With Response	£0	£10.41	£541.14	Yes
Your Homes Newcastle	£0	£6.03	£313.52	Yes
Deane Helpline	**£35.00**	**£5.86**	**£339.72**	**Yes**
Swindon Homecare	£0	£5.82	£302.45	Yes
Poole Lifeline	£0	£5.74	£298.23	Yes
Magna West Somerset	£0	£5.50	£286.12	Yes
Progress Lifeline	£20.00	£5.17	£288.73	Yes
Sedgemoor Careline	£42.50	£4.48	£275.40	Yes

The charge to the Housing Revenue Account has been frozen for a number of years until a discount of £1 per week was achieved. The proposed increase will achieve this goal and the weekly charge to Housing per tenant will therefore increase by £0.37 to £4.80, this will be an increase of £21,656.89.

Discounts

No discounts are available; all private paying customers pay the same.

Council tenants are charged via their Service Charge an amount based on the Service Level Agreement between Deane Helpline and TDBC Housing which due to the economies of scale is less than private customer pay.

External contracts are priced according to their number of connections, their annual increases are stipulated by contract.

Budget Impacts

Income from private and council customers will increase by approximately £104k p.a. Costs such as the Pension Deficit Recharge and an assumed annual pay award of 1% have been taken into account and Deane Helpline’s cost to the Council will be eliminated.

Equality Impact Assessment

EIA attached

Recommendation

It is recommended that the charge for private paying customers increases to £5.86 per week and that the charge to the HRA for TDBC Tenants is increased to £4.80.

Deane Helpline

Lifeline Charges from 1st April 2017			
Description	**Charge per week**	**Charge per quarter**	**Charge per year**
Lifeline Rental, Monitoring, Keyholding & Emergency Response Service	£5.86	£76.18	£304.72
Additional Pendant	50p	£6.50	£26.00
Telecare Sensors (each)	50p	£6.50	£26.00
Minuet Watch instead of Pendant (One off Charge)	£40.00		
Installation & Setup Charge (One off charge)	£35.00		
Additional Services	Set up fee	Cost per call	
Welfare Contact Calls	£30	50p	

Payments are made quarterly in advance. A refund is made on any advanced payment should the Lifeline be removed. A Charge will be made for replacing any damaged equipment.

Payment methods:
By cheque: (made payable to: Taunton Deane Borough Council), or by direct debit - a form can be sent to you to set it up. The period of any monitoring agreement is a minimum of 3 months. The agreement can then be cancelled with one month's notice.

Deane Helpline (24 hour phone line) 01823 257185
Control Centre, Kilkenny Court, Station Approach, Taunton TA2 7QL.

Calls are recorded for statistical information, service review and for an accurate record of events. Recognised by the Telecare Services Association in complying with the codes and practices for: Installation, monitoring and response.

tsa telecare services association

TAUNTON DEANE BOROUGH COUNCIL

Appendix C2

Impact Assessment form and action table

What are you completing this impact assessment for? E.g. policy, service area	**Price increases for Deane Helpline**

Section One – Aims and objectives of the policy /service

To increase Private customer Lifeline charges with effect from 1/4/2017 from £4.99 per week to £5.86 per week and increase HRA Lifeline charges in line to £4.80 per week.

Each year it is necessary to apply an increase equal to the rate of inflation to maintain the revenue stream at the same position as our competitors and to remain financially viable. Private customers are charged each week for monitoring, lease of equipment, emergency response attendance, key holding and any contact calls.

Telecare sensors are at present provided at no cost with a nominal extra charge for the additional monitoring. There is currently an installation charge levied for new contracts of £35 to cover administration and service set up and a nominal charge for multiple Service Users at the same address to cover the increased incidence of calls and emergency attendances.

However, the costs of the service are higher than the income generated and these costs have to be recovered or subsidised by the Council. Under the current financial constraints Local Government is under subsidy is no longer a reasonable proposition.

Section two – Groups that the policy or service is targeted at

All users of the Deane Helpline service, this includes vulnerable adults, the elderly, and the disabled whether physically or mentally. Those that have recently undergone medical treatment reducing their ability to be independent, those with learning difficulties and anyone that has a need for reassurance to allow them to live independently.

Section three – Groups that the policy or service is delivered by

The group comprises the Control Centre Operators, Lifeline Officers, Emergency Response Officers, Admin Team and Management Team all of varying ages. We are not aware of any disabilities among the current staff group. All are White British. No information is held on staff's religion, belief or sexual orientation, these are also not specifically relevant to the changes in this review.

Section four – Evidence and Data used for assessment

A full review of the service and its pricing has been undertaken by external consultants. Several local and national Carelines are queried for their pricing structure to ensure the

Service is in line with the industry.
Section Five - Conclusions drawn about the impact of service/policy/function on different groups highlighting negative impact or unequal outcomes.
As the increase affects all private customers equally no social group will be affected more heavily than any other. Since the 2010 price restructure and regular annual RPI increases customer numbers have risen so no negative impact has been identified to the Service No negative equality impacts have been identified. Although our service is available to anyone that wishes to use it we recognise that existing Service Users would view the new pricing structure as a significant increase and potentially having those that currently rely on the service cancelling their contracts despite their need for it. For this reason the increase to parity with all other customers was phased in over the course of two years to reduce any financial impact.
Section six – Examples of best practise
Attached is a breakdown of comparable services and their prices, this shows Deane Helpline's charges to be broadly mid-range for services of this type.

Signed: Person/Manager completed by		Signed: Group Manager/Director	

Impact Assessment Issues and Actions table						
Service area				Date		
Identified issue drawn from your conclusions	**Groups affected**	**Actions needed – how will your service or policy be amended**	**Who is responsible**	**By when**	**Is a monitoring system required**	**Expected outcomes from carrying out actions**
Knowing our Communities, engagement and satisfaction						
Potential negative impact from price increase only identifiable after the change	Unknown	Review numbers of new customers after twelve months to reassess any negative impact	Richard Burge	12 Months from date of change	No	Unknown
Responsive services and customer care						
Place shaping, leadership and partnerships						
A modern and diverse workforce						

Assuming an increase of 1.33% (Average CPI Aug 2015-Sep 2016)					
Provider	Installation Charge	Weekly Charge	Total 1st year costs	ERT?	Notes
Sedgemoor Careline	£ 42.50	£ 4.48	£ 275.40	Yes	
Progress Lifeline	£ 20.00	£ 5.17	£ 288.73	Yes	
Deane Helpline	**£ 35.00**	**£ 5.49**	**£ 320.48**	**Yes**	£ 285.48
Magna West Somerset	£ 0.00	£ 5.50	£ 286.12	Yes	£25 per ERT call after 2nd per year
Poole Lifeline	£ 0.00	£ 5.74	£ 298.23	Yes	
Swindon Homecare	£ 0.00	£ 5.82	£ 302.45	Yes	
Your Homes Newcastle	£ 0.00	£ 6.03	£ 313.52	Yes	
Forestcare - With Response	£ 0.00	£ 10.41	£ 541.14	Yes	

Taunton Deane Borough Council

Executive – 9 February 2017

Housing Revenue Account (HRA) Budget Estimates 2017/2018

This matter is the responsibility of the Leader of the Council, Councillor John Williams

Report Author: Jo Nacey, Finance Manager

1 Executive Summary

1.1 This report updates Members on the draft Housing Revenue Account (HRA) budget proposals for 2017/18.

1.2 The Housing Rent proposals for 2017/18 reflect national policy and recommend a reduction of 1% to the average weekly rent, from £83.36 per week to £82.52 per week in 2017/18.

1.3 The proposals included in this report would enable the Council to set a balanced budget for 2017/18. This includes a transfer from HRA General Reserves of £0.243m, which is lower than the £0.350m included in the Business Plan that was approved by Council in July 2016.

1.4 However, the longer term position is greatly affected by external changes such as an expected increase in pension contribution, and this will need to be monitored over the medium and long term in order to remain affordable.

1.5 Areas of risk and uncertainty, such as the changes to pension contributions may affect this position further.

2 Recommendations

2.1 Executive is recommended to consider and comment on the HRA draft budget and proposed rent decrease of 1%, with proposed average rents of £82.52 per week in 2017/18, and to inform Full Council of any amendments the Committee wish to suggest.

3 Introduction and Background

3.1 The purpose of this report is to update and request comments from the Members on the Draft Housing Revenue Account (HRA) budget proposals for 2017/18.

3.2 In 2012 Taunton Deane moved away from a national subsidy system, which meant an annual payment from the HRA to central government, to be ‘self-financing’. As part of the self-financing agreement, a one-off payment of £85.12m was made to government, in return for being able to retain all income locally to manage and maintain the housing stock. The total debt in the HRA at the start of self-financing was £99.7m.

3.3 In order to manage the freedoms gained by the HRA through self-financing, a new 30 year Business Plan (2012-2042) was introduced. This set out the Council's overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities. The HRA Business Plan has been reviewed and updated annually since 2012, but since 2015 there have been many changes in national policies and local aspiration and full review of the Business Plan was undertaken in 2016. The draft estimates for 2017/18 reflect the amendments approved in the Business Plan. Further details of the financial impacts of the review are included in Section 4.

3.4 The HRA faces a number of risks and uncertainties, many of which could be significant but the actual financial impact is not yet known. These are listed in Section 11.

3.5 A summary of the overall Draft HRA Budget 2017/18 is included in Appendix A.

4 Business Plan Review 2016

4.1 A full review of the HRA 30 Year Business Plan was approved by Council in July 2016.

4.2 This included a number of changes which affected the base budget for 2017/18. The key amendments are summarised below.

Table 1: 2017/18 Changes in Approved Business Plan

	Reference Paragraph	£k
Impact in 2017/18 of key changes within the Business Plan		
Starting position - balanced budget		0.0
Rents - rent reduction and increase in RTB for Pay to Stay	4.3a, 5	308.0
Bad Debt Provision (funded from EMR)	4.3b	288.7
Social Housing Development Fund	4.3c	185.3
Repairs and Maintenance savings	4.3d	-166.4
Management savings	4.3e	-253.0
Community provision	4.3f	140.0
Provision for repaying borrowing	4.3g	814.2
Transformation funding	4.3h	500.0
RCCO	4.3i,8	-911.6
Funding from EMRs in 2017/18 (provision for bad debt and R&M contracts – PPM and electrical testing)	4.3j	-1,040.1
Inflationary uplifts	4.3k	374.2
Reduced income assumptions (supporting people contract changes and PV Income due to system sizes)	4.3l	87.9
Other minor changes		22.3
Position in Business Plan - approved by Council in July 2016 (budgeted transfer from HRA General Reserves)		**349.5**

4.3 Further details of these changes are as follows:

a) Rents were assumed to reduce by 1% for a second year in 2017/18 in line with national rent guidance. Due to the expected implementation of Pay to Stay in 2017/18, whereby tenants earning over £31,000 per year would be required to pay a higher rent, with the additional rent being paid to Government, an increase in Right to Buys was included in the Business Plan. For a three year period, RTBs were increased to 60 per year as it was expected that a number tenants would have exercised their Right to Buy when faced with an increase in rents. Further detail of rent charges are including in Section 5.

b) The HRA Business Plan has previously included a fixed term increased provision for non-payment of rents because of Welfare Reform, and in particular the introduction of Universal Credit. Universal Credit was only fully introduced for new claimants in Taunton Deane in October 2016, and so much of this previous provision was unused, with £433.7k put aside in an earmarked reserve in order to mitigate the loss of income when needed. The Business Plan has included a new three year period of increased provision of bad debt, allowing for an increase in non-payment from 0.5% of rents to 2% for a new three year period. In 2017/18 this would be fully funded from the earmarked reserve.

c) The introduction of the Development Strategy increased the revenue provision for social housing development. The Business Plan has previously included a significant ongoing revenue contribution of £1m per year, but Development Strategy instead includes an average annual addition of 15 units, estimated at £1.9m per year. These are fully funded in the Business Plan, partly from revenue and partly from Right to Buy receipts. The revenue funding in 2017/18 is included at £1.185m, with the remaining funding from capital receipts.

d) The Business Plan includes savings totalling £832k per year on repairs and maintenance. This is based on advice on savings that should be achievable for the stock held and is separate to savings identified as part of the corporate Transformation programme. This is due to be phased over five years, and the first annual saving of £166k is included from 2017/18. The ongoing savings are not fully identified in the Business Plan and this will need to be closely monitored by the Assistant Director – Property and Development.

e) Management savings of £253k were included in the Business Plan, including savings resulting from the Terms and Conditions review, changes to the Extra Care Housing service which are expected to lead to a reduction in the subsidy provided, the removal of underutilised budgets such as some training budgets, and other central management costs. Based on current forecasts it isn't expected that these savings will have a significant impact on service delivery.

f) Permanent additional provision of £140k has been included in the Business Plan in line with the new objective of Supporting the Vulnerable. This is allocated as follows:
   - Mental Health Support, currently commissioned through Mind - £41k pa
   - Employment Support, currently commissioned through Inspired to Achieve - £46k pa
   - Money Matters Advice, currently commissioned through the Citizens Advice Bureau - £35k pa
   - Top up of Community Development budgets to £10k per area - £18k pa.

g) The Business Plan changed the policy for the repayment of debt, with provision being made over 60 years. This equates to an annual revenue provision of £1,821k, an increase of £814k on the provision included in 2016/17.

h) A one-off amount of £500k was included in 2017/18 towards the HRA share of the cost of Transformation. This has been taken into account in the Transformation Business Case.

i) Revenue Contribution to Capital Outlay (RCCO) is reduced to £nil in 2017/18 as the capital programme can be fully funded from the Major Repairs Reserve which includes the transfer of depreciation.

j) Transfers from earmarked reserves totalling £1.040m are included in the Business Plan for 2017/18. This is due to slippage in revenue maintenance programmes such as the pre-planned maintenance contract and the electrical servicing programme. Also the funding for the increased provision for bad debt.

k) Inflation of £374k is included in the Business Plan. This is the expected inflation across all expenditure including staffing costs, contracts and other expenditure.

l) Reductions in income are included for the expected decrease in Supporting People funding from Somerset County Council. Also, following the installation of photovoltaic panels on a number of houses, Feed in Tariff income of £110k is expected in 2017/18. This is lower that the budget of £160k in 2016/17 because of an imposed limit to the size of the systems by Western Power which was not known at budget setting for 2016/17.

5 Dwelling Rents for 2017/18

5.1 Dwelling rents for approximately 5,800 properties provides annual income of approximately £24m for the HRA.

5.2 The Welfare Reform and Work Act 2016 sets out a 1% reduction in social housing rents from 1st April 2016 for four years. For the first year, 2016/17, supported housing rents were exempt, but all social rents are to be included for the remaining three years.

5.3 Prior to this legislation Local Authorities had the power and duty to set their own rents. During the four year period rents must be set with at least a 1% reduction, but Members could choose to reduce rents by more than 1% if they wish. Each additional 0.5% decrease would reduce the average weekly rent for tenants by £0.42, or £21.84 per year, and decrease dwelling rent income to the HRA of £123k per year.

5.4 In line with the national rent guidance it is proposed that the average weekly rent for dwellings for 2017/18 should be set at the guideline rent of £82.52, a decrease of 1.0%, or £0.84 per week (there is a small difference due to rounding each weekly rent to the nearest penny).

5.5 On becoming vacant, dwellings continue to be relet at the Formula Rent, a national rent calculation for social housing which is designed to give fair and consistent rents across all social housing in local authority and housing association stock. Until 2015/16 increases to rent were allowed for convergence – in order to slowly bring rents in line with the national policy. From 2016/17 onwards this is no longer allowable for existing tenancies. Currently 70% of tenants have rents below the Formula Rent. Of those with rents below Formula Rent, the average difference is £1.04 per week, or 1.2%. This is equivalent to loss of income of £211k per year.

5.6 It was expected from the Housing and Planning Act that from April 2017 tenants with a household income of over £31,000 would need to pay additional rent (up to market rents, based on their income) under ‘Pay to Stay’. It was announced in November 2016 that this policy is no longer being implemented and social housing providers (both local authorities and housing associations) will continue to have discretion – but are not mandated – to charge a higher rent on tenants with a household income of over £60,000.

5.7 Any additional income raised from the Pay to Stay policy (less administration expenses) would have been repaid to Government and so this wouldn’t have directly affected the Business Plan, however it was expected that this policy would increase Right to Buys in the short term as the tenants who would have been affected by higher rents are likely to be those more able and willing to secure a mortgage. As this policy is no longer being implemented the assumption of Right to Buys has been reduced in the Business Plan from 60 per year, down to 40 for a three year period, reflecting the current level of RTBs. After this the provision for RTB returns to 30 per year. For 2017/18 this equates to expected additional rental income of £43k, which increases to £128k in 2018/19, although expected capital receipts from RTB will reduce.

5.8 Taunton Deane previously decided not to pursue increased rents for tenants earning over £60,000 per year, as the cost of administration was likely to be higher than the additional income and so no assumptions have been included in the budget.

5.9 Rent lost through void periods continue to be lower than the 2% allowed in the Business Plan. Future changes, such as the introduction of flexible tenancies, where new tenants are offered a fixed term tenancy which is renewed if appropriate (paragraph 12.7), may affect this in the future, but it is deemed appropriate to reduce the expected void rate to 1% for a two year period. This will be reviewed within future Business Plan reviews. This reduction in void rate from 2% to 1% increases the rental expectation in 2017/18 by £179.0k.

5.10 These changes give a total forecasted dwelling rent income of £24.5m.

6 Other Income

6.1 About 8.3% of HRA income, amounting to £2.2m in total, comes from non-dwelling rent (mainly garages, but also shops and land), charges for services and facilities, and contributions to HRA costs from leaseholders and others. The proposed changes to specific budget lines reflect changes recommended to Council in the Fees and Charges paper.

6.2 **Garage rents**: a 2.0% increase to £5.94, an increase of £0.12 per week for tenants, representing RPI inflation at September 2016 (last year 0.8%). An increase of 10%, or £0.86 per week, to £9.34 (including VAT) for private garage tenants and second Council tenant garages.

6.3 **Charges for services and facilities**: an increase of 2.0% (last year 0.8%). Budgets for service charges have been reset in line with the current stock, and budgets added for annual service charges to leaseholders and rechargeable repairs for current and former tenants. Charges to leaseholders will continue to be based on actual costs incurred. A one-off increase of £50k from leaseholders has been included in 2017/18 to reflect the ongoing major works on flat blocks such as fasciae and soffit replacements. All works on blocks containing leaseholders undergo consultation with leaseholders before works are instructed.

6.4 **Extra Care service charges**: As previously reported, Somerset County Council is changing the way in which it procures Extra Care Housing and from April 2017 both the care and support elements will be combined in one contract. Taunton Deane Borough Council will cease to provide the Extra Care Support, although an element of Housing Related support will still be provided, and the services charges amended accordingly. This represents an increase in the housing related support element (the part which Taunton Deane will retain), although this is eligible for Housing Benefit and current self-funded tenants will be protected from the increase.

6.5 Somerset County Council are due to award the contract for care and support early in 2017. If a contract is not awarded, Taunton Deane may need to continue the support it currently provides, and additional service charges would need to be approved by Council. There could also be a risk that providing this support would create a pressure to the HRA budget since the funding provided through Supporting People has previously not been enough to cover the costs.

6.6 **Contributions towards expenditure**: contributions from the General Fund to cover a share of costs in the HRA for works on estates where people have bought their homes under Right to Buy. There are approximately 4,700 privately owned homes on HRA estates compared to around 5,800 HRA stock. Those private households pay their share of HRA estate management costs, such as grounds maintenance, through their council tax and the General Fund.

6.7 **Supporting People funding**: Somerset County Council continues to purchase Supporting People services from TDBC for sheltered housing, but not for Extra Care Housing as stated in paragraphs 5.4 and 5.5.

7 Expenditure 2017/18

7.1 Below are brief descriptions of the main areas of spending with explanations of any significant changes to the currently approved Business Plan.-

7.2 **Management expenses**: These include the costs of the teams administering tenancies, collecting rents and arranging or planning maintenance work as well as a share of the Council's other relevant costs. The Business Plan included standard inflation assumptions.

7.3 Key changes for 2017/18 are:

a) Right to Buy admin contribution (from RTB capital receipts) increased by £12.5k in line with expectations;

b) Share services costs - costs transferred from the General Fund for services that cover both GF and HRA such as Finance, ICT and HR are expected to be £9.5k higher than assumed in the Business Plan;

c) Apprentice levy – the HRA share of Taunton Deane's Apprenticeship Levy which is expected to be £19.3k.

d) The employer's contribution towards the pension scheme is expected to rise from 13.5% of salaries, to an indicative amount of 15.4%. This, together with an increase in the defined contribution towards past service costs, would be an increase in cost for HRA staff of £206.4k. The services provided to the HRA by the General Fund (paragraph 7.3b) would also be increased because of the increase in cost to the General Fund. This is currently expected to be £36.8k. These figures are based on the current forecasts, with the final figures expected early 2017.

7.4 **Maintenance**: The total cost of maintenance for 2017/18 is expected to decrease by £17k to £6,129k. This equates to spend of around £1,060 per property.

7.5 Key points for 2017/18 are:

a) The Building Service team, which has previously been part of the DLO, is to transfer to the HRA from April 2017. The HRA accounts for approximately 89% of the work undertaken by Building Services in 2015/16, with total costs from the DLO (including grounds maintenance) totalling £4.9m. This change in treatment will allow for smoother charging, since the costs will sit directly in the HRA, rather than sitting in the DLO accounts and being recharged on a regular basis. This should make forecasting more straightforward and prevent swings in cost at the end of the year when costs are fully calculated. Any work undertaken for the General Fund will continue to be charged (from the HRA rather than the DLO), and the General Fund will be unaffected by this change.

The Building Services Team of the DLO has been restructured as part of the Property Services Team and identified as the Repairs & Maintenance Team (RMT) within Property Services. The trade operatives within the RMT totalled 92 plus 12 apprentices, with a number of these post being either filled by agency staff or left vacant to reduce costs. A new establishment for RMT operatives has been set that includes a new provision for delivering in-house electrical inspection and testing, asbestos removal services. The establishment has been set at 70 operatives and 12 apprentices, therefore reducing staffing level by 24 operatives and preventing an additional overspend of circa £750K on repairs and maintenance in the HRA.

b) Electrical testing will now be carried out by an in house team, which is now in place and cost neutral to the HRA Financial Business Plan. The testing will be programmed on an ongoing basis rather than an over a three year external contract and the budget has been amended accordingly. In the short term this is funded from earmarked reserves (which has built up over the last two financial years) and so the decrease in funding needed has been offset by a reduction in transfer from the earmarked reserve.

c) Negotiations over the future provision of gas servicing and maintenance with the Councils' current contractor 'Saltire' to take up the option of a 2 year extension proving to be unaffordable. Therefore, a business case to bring the gas servicing and maintenance in-house is being developed.

d) A one-off budget of £480k has been included to assist in the provision of the achieving the savings identified in the Business Plan. Plans are already underway, for instance bringing works in house such as the electrical testing above, and in order to ensure a safe transition, and to cover any one-off costs, this fund will be made available and held in an earmarked reserve. Any remaining funds will then return to general reserves.

7.6 **Transformation**: The Business Plan includes savings of approximately £832k over a five year period, which is higher than the savings included in the Corporate Transformation Business Case. It is expected that these savings will primarily come from the ongoing transformation of Repairs and Maintenance, although the whole service will be affected by the transformation programme. The first annual saving of £166k has been found within maintenance budgets through the reorganisation of the service and the expectation that more work will be done in house.

7.7 **Rents, rates and other taxes**: insurance premiums are expected to be £30k higher than included in the Business Plan. This is based on current costs.

7.8 **Special Services**: Special services includes spend on communal areas, such as grounds maintenance and cleaning costs. It also includes Sheltered Housing and Extra Care schemes.

7.9 **Provision for bad debts**: The Business Plan increased the provision for bad debt to 2% (from 0.5%) for a period of three years. This is to mitigate the expected reduction in recovery of income due to the implementation of Universal Credit. In 2017/18 this is to be covered by a transfer from the provision for bad debt earmarked reserve.

7.10 **Depreciation**: Depreciation gets transferred to the Major Repairs Reserve (MRR) and must be used to fund the capital programme and/or repay debt. From 2017/18 depreciation will need to be included within the HRA accounts on a component accounting basis. This means depreciation will need to be calculated on each of the major components of each house e.g. kitchen, bathroom, rather than being based on the Major Repairs Allowance (MRA), an estimation of the works needed to maintain the stock in good condition.

7.11 Pending full calculation of the depreciation charges and agreement of the policy with audit, an amount equivalent to MRA is included. A decrease of £100k is expected against the Business Plan. If, after full calculation, the charge decreases further, an equal amount would be included as Revenue Contribution to Capital Outlay (RCCO) in order to maintain the funding of the capital programme. Any increase in depreciation would need to come from general reserves in the immediate term and be factored into future revisions of the Business Plan.

7.12 **Debt Management Expenses**: bank charges and the costs of managing cash flow, borrowing and investments.

7.13 **Repayment of Borrowing and Interest**: interest and a contribution towards the repayment of the debt currently held in the HRA of £97.6m. The contribution towards the repayment of debt is due to increase to £1.8m (from £1.0m) in 2017/18, in line with the Business Plan.

7.14 The interest payable on debt is expected to be lower than the Business Plan by £435k. This is because the additional borrowing for approved schemes such as Creechbarrow Road and the Weavers Arms does not need to be externally borrowed during 2017/18. Cash reserves can be used to temporarily cover this capital expenditure, however this is only a short term arrangement and external borrowing will be needed as reserves are used for their earmarked purpose. Therefore no interest is payable until the additional amounts are externally borrowed. This does, however, reduce the amount of interest received on investments (paragraph 7.15), but to a lesser extent due to the differences in interest rates.

7.15 **Interest receivable**: based on an estimated interest rate on investments.

7.16 **Social Housing Development Fund**: the revenue contribution made towards the development programme of £1.9m. In 2017/18 some of this funding will need to be replaced by capital receipts (non Right to Buy), in order to fund the HRA's contribution towards Transformation costs as approved in the Business Case. This does not affect the funding available for development, or the revenue position of the HRA.

8 Appropriations

8.1 **Revenue Contribution to Capital Outlay (RCCO)**: – RCCO pays for capital works costing more than the available funding in the Major Repairs Reserve (MRR), including the transfer from deprecation noted in paragraph 6.10. The capital programme in 2017/18 can be fully funded from the forecasted balance in the MRR and so no budget is included for RCCO.

9 Summary of Movements in Draft 2017/18 HRA Estimates

9.1 The following table provides a summary of the main changes to the budget estimates for the HRA Revenue Account since the approval of the HRA Business Plan.

Table 2: HRA Budget 2017/18 Changes

	Reference Paragraph	£000s
Position in Business Plan (budgeted transfer from HRA General Reserves)		**349.5**
<u>Proposals included in this report</u>		
Deduction in rent loss from voids	4.9	-179.0
Reduction in rent lost from Right to Buys (due to Pay to Stay)	4.7	-43.1
Service charges	5.3	-20.4
Garages	5.2	-13.0
Leasehold Charges	5.3	-50.1
RTB admin contribution	6.3a	-12.5
R&M Transition Contingency	6.5d	480.0
Charges from GF and pension deficit (49.2k reported in GF, but most of this was included in inflationary uplift above)	6.3b	9.5
HRA share of apprentice levy	6.3c	19.3
Insurance premiums	6.7	30.6
Depreciation	6.10	-100.5
Investment income	6.15	-10.0
Interest payable	6.13	-435.5
Increase in employer pension contribution		90.1
Increase in pension deficit contribution		116.3
Increase in support service charges to the HRA due to pension		36.8
Other minor changes		-25.0
Balanced Budget for 2017/18		**243.0**

10 HRA Reserves

10.1 As set out in the HRA Business Plan the recommended minimum unearmarked reserve balance for the HRA is £1.8m (approximately £300 per property). The reserve balance as at 1 April 2016 was £2.675m, however with a number of approved changes during the year, the current balance is £2.342m. This does not include any 16/17 forecast variances, or any further supplementary estimates in 2016/17.

10.2 If the draft budget in this report is approved by Council, assuming no further changes, the balance would reduce by £0.243m, to £2.099m. This is £0.299m over the minimum reserve balance, however this balance is expected to be used in 2018/19 and the reserve will be held at the minimum recommended balance of £1.800m.

10.3 Appendix A shows the forecasted position over the medium term based on this draft budget. This is subject to transfers to or from HRA general reserves in 2016/17, and any changes.

11 Risks and Uncertainties

11.1 The HRA faces a number of risks and uncertainties, both external to the Council and internal changes.

11.2 A number of legislative changes are being implemented, as reported in HRA Estimates 2016/17 and the HRA Business Plan Review.

11.3 <u>Rent reductions</u> (Welfare Reform and Work Act 2016) – It is not currently known what will happen with rent charges after the four year rent reduction within the Welfare Reform and Work Act 2016. The Business Plan prudently includes a CPI only rental increase (rather than the previous policy of CPI plus 1%), however it is possible that rent policy will not include inflationary uplifts after this period. Any additional reductions would further impact on Business Plan.

11.4 Universal Credit – it is not known what impact the full roll out of Universal Credit will have on the HRA. The HRA has already taken steps in order to try and prevent loss of income where possible. Tenants are now able to pay through direct debits on any day of the month (rather than only three options previously) in order to allow them to make payments on the same day as their Universal Credit payment, salary, pension or other income. There are also currently additional officers working within the One Teams such as a Welfare Reform Officer and an additional Debt and Benefit Advisor in order to support tenants affected by welfare changes. However, the impact on social housing landlords in areas where Universal Credit has already been fully implemented has been significant.

11.5 Higher Value Asset Sales (Housing and Planning Act 2016) – this is the sale of vacant social housing with the proceeds being returned to Government in order to fund the extension of Right to Buy in Housing Associations.

The regulations have not yet been published, but it is expected that an amount will be payable to Government based on the value of the housing held by Taunton Deane Borough Council. However, it is expected that it will be determined locally how this funding is raised, and therefore it will not necessarily be funded through the sale of higher value housing. The financial value is not yet known.

It has been confirmed that no payment will be due in 2017/18 (letter from Gavin Barwell MP, Minister of State for Housing and Planning, 24 November 2016), and so it is currently expected that this will commence from April 2018.

11.6 Local Housing Allowance (LHA) Rates - tenants in social housing will in future only be able to claim Housing Benefit up to the LHA rate. This is determined by the Valuation Office Agency and is based on local rents. Currently the LHA rates are only applicable for Housing Benefit claims in private rented stock. From April 2019 it has been announced that this will also apply to tenants in social housing.

In Taunton Deane this may have an impact on some of our Supported Housing residents, as the LHA rate includes service charges which are higher in Supported Housing, and single claimants under 35, who will only be eligible for the shared accommodation rate (currently £64.14 per week). Officers will continue to consider what support can be provided to individuals affected. The majority of Taunton Deane housing is within the LHA rates for the area.

11.7 Fixed term tenancies (Housing and Planning Act 2016) – Councils will be required to review tenancies every five years rather than granting a lifetime tenancy, with extensions for tenants with a disability or school age children. This is expected to be in place for April 2018 and will impact on the way in which tenancies are managed.

11.8 The HRA also faces local risks including those within the Council.

11.9 Transformation – Savings from Transformation are included within the ongoing Business Plan (paragraph 7.6). If these savings aren't found the financial position of the Business Plan will be affected.

11.10 Extra Care Housing - as reported in paragraphs 6.4 and 6.5 the Extra Care Housing service provision is being reviewed by Somerset County Council (SCC). SCC are due to award a new contract for both Care and Support. Taunton Deane is continuing to provide the Support element until the new contract is expected in March 2017. If SCC do not award a contract within the expected deadlines, Taunton Deane may need to continue to provide this support into the new financial year, which would need to be put in place by late March. Service charges for this Support service would need to be set up and approved as part of the budget setting process as they haven't been included in the Fees and Charges paper.

11.11 Gas servicing – as advised in paragraph 7.5c an in-house service is being proposed which includes mitigation measures for key risks to the Council.

11.12 Pensions – the employer's pension contributions are currently being reviewed. A forecast of the expected increase is included within this report with any variations from this would affect the position of the HRA. Final figures are expected to be received from the actuaries in early 2017.

11.13 Asbestos – significant progress has been made in implementing processes and procedures to ensure the Council meets its duties under the Control of Asbestos Regulations 2012. Detailed analysis is nearing a close which will identify the Councils short, medium and long-term financial liabilities for asbestos. The outcome will be compared with budgetary provision within the HRA Financial Business Plan and relevant earmark reserves, so as to schedule an affordable asbestos management plan.

12 HRA Borrowing

12.1 In 2012 Taunton Deane took out additional borrowing of £85.2m as part of the self-financing settlement with the Government. This brought the total borrowing in the HRA up to £99.6m at the start of self-financing, including £5.5m internal borrowing from the General Fund.

12.2 The external borrowing currently totals £97.6m (£2m of external borrowing has been repaid), with an additional £6.3m internal borrowing within the HRA (for approved capital schemes such as Creechbarrow Road and the Phase 1 sites. This internal borrowing is currently funded from reserves held by the HRA, but external borrowing will be required in the short term. Repayment of £2.7m will be made during 2016/17, but additional internal borrowing will be required in order to finance the ongoing schemes. The opening balance of borrowing for 2017/18 is expected to be £99.3m.

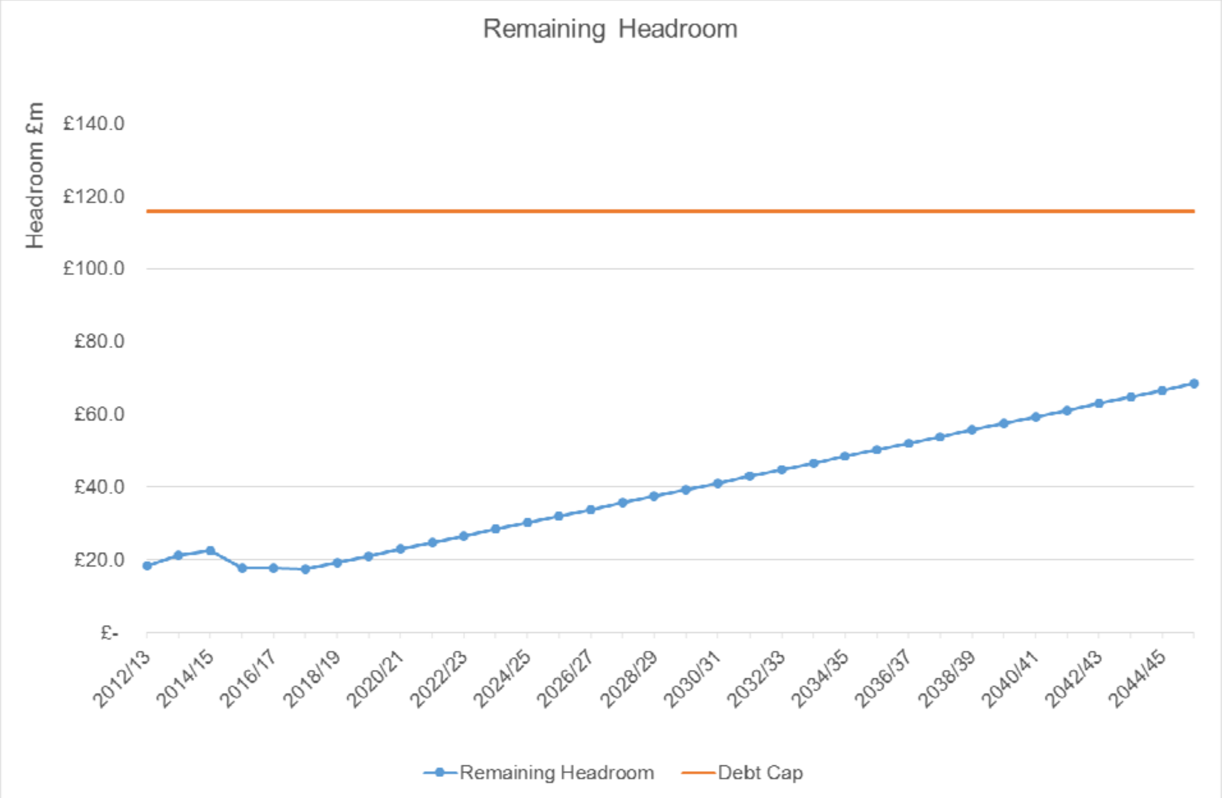
12.3 An annual provision of £1.8m for repayment of debt is included in the Business Plan, and ongoing repayments of borrowing will be made, with refinancing of loans occurring where necessary (in line with the repayment of borrowing over 60 years as approved in the Business Plan).

12.4 The headroom – the amount available to borrow up to the Government set debt cap for Taunton Deane HRA – is due to increase annually, as no additional borrowing is included within the Business Plan. Therefore the headroom is available to be allocated as new borrowing to future development schemes ie those over and above the 15 units already included in the Business Plan.

12.5 The Headroom in 2017/18 is expected to be £17.1m, and will increase annually by £1.8m (the provision made in revenue for the repayment of debt), until further borrowing is agreed by Council. The intention is for this borrowing headroom to be available for the larger regeneration schemes that can't be funded from the ongoing Social Housing Development Fund budget.

The following graph shows the current forecast for headroom over the Business Plan, but this will change as borrowing is allocated to schemes.

Graph 1: Borrowing Headroom forecast



13 Right to Buy (RTB) Receipts

13.1 In 2012 the maximum discounts offered to tenants who exercise their Right to Buy increased significantly to £77k (which rises with inflation). Taunton Deane signed up to retain the additional receipts, and agreed that these receipts would be used to fund new affordable housing. The additional RTB receipts can only account for 30% of spend on new housing, with the remaining 70% coming from other funds such as revenue funding or borrowing. The RTB receipts can't be used in the same scheme as other government funding such as Homes and Communities Agency (HCA) funding.

13.2 The full spend on new housing (the 30% RTB funding and 70% Council funding) should be spent within three years of the capital receipt, or the RTB receipt must be returned to Government with interest at 4% over base rate from the date of the receipt. Receipts can be returned in the quarter in which they are received with no interest payable.

13.3 The below table shows the capital receipts received under the new RTB discount scheme, along with how much of those receipts are deemed to be 'Additional receipts', ie those which can be retained and used for new housing, and the total amount that would need to be spent in order to fully retain them.

Table 3: Right to Buy receipts

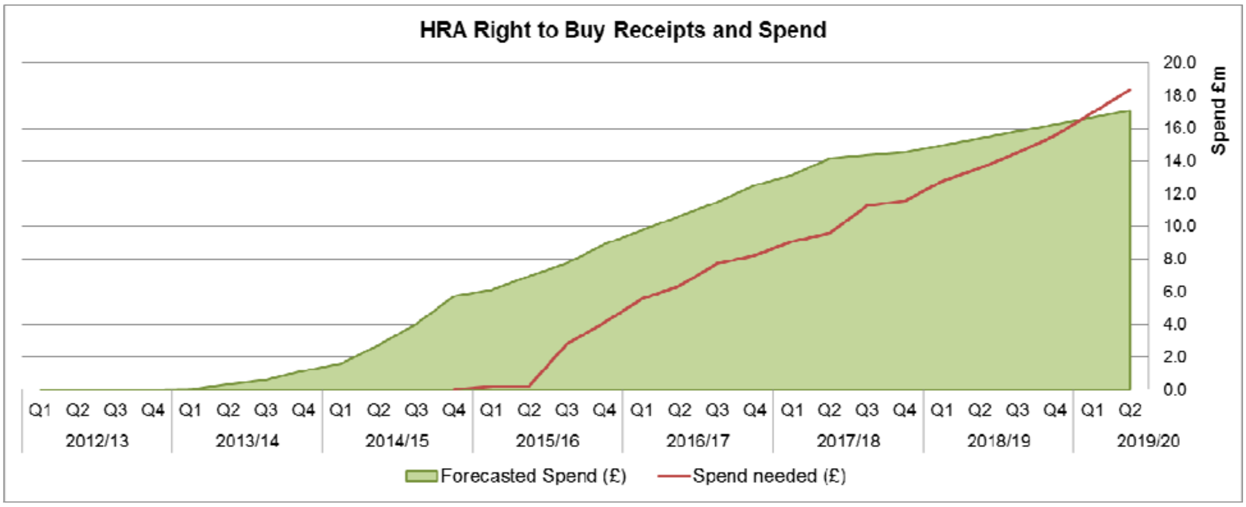
	Total 2012/13	Total 2013/14	Total 2014/15	Total 2015/16	2016/17		Total to date
					Q1	Q2	
Sales	37	47	35	38	11	10	178
Total Capital Receipts (£k)	2,330.4	2,704.6	2,316.6	2,665.6	863.6	841.6	11,722.4
Additional (1-4-1) Receipts (£k)	1,233.7	1,230.5	1,004.9	1,192.7	421.4	423.0	5,506.1
Spend Required (£k)	4,112.4	4,101.5	3,349.6	3,975.6	1,404.5	1,410.0	18,353.6

13.4 The receipts received up to 2015/16 have been fully allocated to existing schemes, such as Creechbarrow Road, the Phase 1 sites, Buybacks, and Weavers Arms.

13.5 The additional receipts received in Q1 and Q2 2016/17 total £844k, which would require total spend of £2.8m within three years. If this level continues it can be expected that the annual total spend (including RTB receipts and match funding) would need to be in the region of £5.6m. Although the provision for the Social Housing Development Fund has been increased in the Business Plan, the annual total budget is £1.9m, an annual shortfall of £3.7m. The latest forecast shows that forecasted spend will not be enough to meet the match funding requirements in 2019/20. This is based only on currently approved budgets (including the ongoing provision of £1.9m), and doesn't include any new schemes funding through borrowing. It is possible to borrow for additional schemes, within the borrowing headroom in Section 11, but many schemes may not be able to repay the capital and interest costs from the rental income. This would create a net revenue cost to the HRA which would impact the Business Plan.

13.6 The below graph shows the current forecasted spend, together with spend needed in order to retain the RTB receipts, and shows that in 2019/20 the forecasted spend doesn't meet the spend needed.

Graph 2: Right to Buy Receipts and forecasted spend



13.7 It should be noted that the new housing doesn't need to be provided by the Council. The 30% RTB funding could also be used by Housing Associations in the area, providing they meet the same match funding requirements. The Housing Enabling and Development Manager has started talking informally with local Housing Associations to establish whether this is something that they would be interested in.

13.8 Options to consider:

- Increase spend through borrowing – limited to debt cap
- Increase spend from revenue – would lead to reduced service provision as revenue is allocated within the Business Plan
- Use other Council funding
- Give grant funding to Housing Association/s – providing they match 70% of the funding
- Return funding to Government

13.9 The requirement for the funding to be spent within three years does mean that there is flexibility to allocate funding after the capital receipts are retained. However development schemes are likely to have large lead in times and so receipts should be allocated as soon as possible to reduce the risk of having to repay the capital receipt to Government with interest payments.

14 Corporate Scrutiny comments

14.1 Corporate Scrutiny Committee considered the report including the latest draft estimates for the Housing Revenue Account (HRA) Budget. No specific recommendations or proposed adjustments were made. The following salient comments and questions were noted:

- Clarification was sought on the proportion of transformation costs allocated to the HRA and whether these would be 'paid back'. *The HRA and General Fund are providing appropriate shares of funding for service transformation as set out in the Transformation Business Case approved by Full Council in July 2016.*

- The Committee noted the requirement to match fund right to buy receipts with new investment in social housing and the options available to do this. Clarification as sought on whether the Council can acquire new land and include the cost of this in meeting the requirements of the ‘one for one’ social housing replacement agreement. Response. *Yes, the Council could purchase land in order to build new housing on it at a later date, and include this as ‘1-4-1’ spend and so use 30% RTB receipts. However, it should be noted that land banking for the future isn’t encouraged by DCLG as it doesn’t provide new housing in the short term.*

  Unless alternative funding is identified, any land purchases would still be limited to existing options, namely the Social Housing Development Fund (SHDF), capital receipts or additional borrowing. These are all limited resources, with the SHDF earmarked for the existing development pipeline, any future non RTB capital receipts likely to be needed for the Higher Value Voids Levy (subject to guidance from Government), and borrowing limited by the debt cap.

- A question was raised about what would happen if a tenant refused to pay rent and effectively declare themselves homeless? The response from the HRA Accountant is as follows: *We have a Rent Arrears Policy that applies to all rented property owned or managed by the housing service. The overall aim of the policy is to minimise the level of rent arrears in a sensitive but effective manner. In doing so we offer early intervention, support, guidance and action and through such interventions we help our tenants avoid eviction and possible homelessness thereafter.*

  Our Housing Options Team are there to help prevent and investigate homelessness, providing a range of services to people who are unable to meet their accommodation needs through their own means. An individual or household evicted from their previous home who cannot meet their ongoing housing need through their own means are best advised to access the Council’s housing options service.

APPENDIX A
HRA Draft Budget 2017/18 and MTFP

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Target Budget	Draft Budget	Forecasted Budget	Forecasted Budget	Forecasted Budget	Forecasted Budget
Income						
Dwelling rents	(24,614)	(24,450)	(24,142)	(23,691)	(24,093)	(24,524)
Non dwelling rents	(600)	(617)	(628)	(641)	(653)	(666)
Service charges	(1,005)	(1,138)	(1,108)	(1,127)	(1,149)	(1,170)
Other income	(549)	(462)	(391)	(320)	(326)	(332)
Total Income	(26,768)	(26,667)	(26,269)	(25,779)	(26,221)	(26,692)
Expenditure						
Repairs and maintenance	6,146	6,193	5,663	5,612	5,366	5,110
Management	6,092	6,774	6,186	6,068	6,199	6,332
Rents and rates	384	373	386	400	414	429
Special management	1,419	1,288	1,197	1,143	1,168	1,194
Provision for bad debt	223	507	502	493	125	128
Debt Management Expenses	8	8	9	9	9	9
Depreciation	6,725	6,715	6,771	6,772	6,747	6,732
Total Expenditure	20,997	21,858	20,714	20,497	20,028	19,934
Other Expenditure						
Contribution to CDC	215	225	229	234	238	243
Revenue Contribution to Capital Outlay	983	-	-	-	477	677
Interest Payable	3,011	2,742	2,745	3,065	2,995	3,075
Investment Income	(88)	(70)	(60)	(60)	(60)	(60)
Social Housing Development Fund	1,000	1,185	1,170	1,170	1,200	1,220
Provision for repayment of debt	1,007	1,821	1,821	1,821	1,821	1,821
Transfers to/(from) earmarked reserves	(24)	(851)	(272)	(727)	(478)	(218)
Transfers to/(from) HRA general reserves	(333)	(243)	(78)	(221)	-	-
Total Other	5,771	4,809	5,555	5,282	6,193	6,758
Balanced Budget	0	0	0	0	0	0

HRA General Reserves	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Opening Balance	2,675	2,342	2,099	2,021	1,800	1,800
Transfers to/from reserves	(333)	(243)	(78)	(221)	-	-
Closing Balance	2,342	2,099	2,021	1,800	1,800	1,800

AGENDA ITEM NO. 10

Taunton Deane Borough Council

Executive – 9 February 2017

Draft Capital Programme Budget Estimates 2017/2018

This matter is the responsibility of the Leader of the Council, Councillor John Williams

Report Author: Jo Nacey, Finance Manager

1 Executive Summary

1.1 The purpose of this report is to provide Members with the detail of the Draft 2017/18 Capital Programme and the proposed sources of funding.

1.2 The Draft General Fund Capital Programme contains planned investment in DLO assets, general services projects, a capital investment loan, Deane House accommodation, and growth and development.

1.3 The total cost of the Draft General Fund Capital Programme for 2017/18 is £13.75m, which is proposed to be funded through a combination of revenue contribution, capital grant, S106 income, growth reserves and borrowing.

1.4 Following the updated information received through the 2017/18 Provisional Settlement the projected income from New Homes Bonus has been updated within the MTFP. Consequently the profile of investment for the £16.6m growth and development plans have been updated and closely aligns with projected funding availability.

1.5 The Draft Housing Revenue Account Capital Programme contains planned investment in major works (such as replacement heating systems, windows, doors, bathrooms etc), social housing development, aids and adaptations, and other related assets and improvements.

1.6 The total cost of the Draft Housing Revenue Account Capital Programme for 2017/18 is £9.36m, which is proposed to be funded through a combination of the Major Repairs Reserve, Social Housing Development Fund and capital receipts.

2 Recommendations

2.1 Executive recommends to Full Council to approve the new capital schemes of the General Fund Capital Programme Budget of £13,749,816 for 2017/18.

2.2 Executive recommends to Full Council that authority be delegated to the S151 Officer to approve adjustments to the 2017/18 Disabled Facilities Grant Capital Budget to reflect the final grant funding received from the Better Care Fund.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The funding of the Capital Programme relies on Revenue resources which may not be available due to unforeseen pressures on revenue budgets	3	4	12
The revenue budgets are regularly monitored and alternative revenue resources are available if trading units/services fail to deliver the required surpluses.	2	4	8

Risk Scoring Matrix

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

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

4 2017/18 General Fund Capital Programme

4.1 The current General Fund Capital Programme in 2016/17 includes approved projects totalling £11.192m.

4.2 The current capital strategy includes the following basis for prioritising schemes:

1) Business Continuity (corporate/organisational/health and safety)

2) Statutory Service Investment (to get statutory minimum / contractual / continuity)
3) Growth / Transformation
4) Invest to Save
5) Other

4.3 The recommended General Fund Capital Programme for 2017/18 totals £13.75m as set out in Table 1 below.

4.4 The Draft Capital Programme has been updated since the report was published for Corporate Scrutiny in January. This is due to timing of report preparation. The Draft Capital Programme includes the budget requirement for both a loan to the Somerset Waste Partnership (reported Corporate Scrutiny 26 January; Full Council 6 February) and the Deane House Accommodation Project (reported Corporate Scrutiny 17 January; Full Council 6 February).

Table 1: Draft 2017/18 Capital Programme

			Proposed Funding				
Scheme	**Cost £**	**Rank**	**RCCO £**	**Grants/ S106 £**	**Growth Reserve £**	**Borrowing £**	**Total Funding £**
DLO Schemes:							
Vehicles Replacement	152,000	2	152,000				152,000
Plant and Equipment	23,000	2	23,000				23,000
Sub-Total	**175,000**		**175,000**	**0**	**0**	**0**	**175,000**
General Schemes:							
Lifeline Equipment	28,000	1	28,000				28,000
DFGs	660,000	2	0	660,000			660,000
Leisure Grants to Clubs and Parishes	15,000	5	15,000				15,000
TDBC Replacement Play Equipment	34,716	2	20,000	14,716			34,716
Desktop Hardware Refresh	59,500	1	59,500				59,500
New/Replacement Waste Containers	100,000	2	100,000				100,000
Members IT Equipment Replacement	4,000	2	4,000				4,000
SWP Loan	3,500,000	4				3,500,000	3,500,000
Deane House Refurb	5,873,600	1				5,873,600	5,873,600
Sub-Total	**10,274,816**		**226,500**	**674,716**	**0**	**9,373,600**	**10,274,816**
Growth Schemes:							
Major transport schemes	1,000,000	3			1,000,000		1,000,000
Town Centre regeneration	1,300,000	3			1,300,000		1,300,000
Employment site enabling and innovation to promote Growth	500,000	3			500,000		500,000
Urban Extensions	500,000	3			500,000		500,000
Sub-Total	**3,300,000**		**0**	**0**	**3,300,000**	**0**	**3,300,000**

Scheme	Cost £	Rank	Proposed Funding RCCO £	Grants/ S106 £	Growth Reserve £	Borrowing £	Total Funding £
Grand Total	**13,749,816**		**401,500**	**674,716**	**3,300,000**	**9,373,600**	**13,749,816**

Capital Schemes Explained

4.5 **DLO Vehicle Replacement £152k:** This provides the DLO with a budget for the cost of the rolling programme of vehicle replacement. This is funded from a yearly RCCO which is recovered from the DLO through capital charges.

4.6 **DLO Plant £23k:** This provides the DLO with a budget of £23k per year to replace small capital items of plant and equipment. This is funded from a yearly RCCO which is recovered from the DLO through capital charges.

4.7 **Deane Helpline £28k:** The service has just under 1800 Lifeline units installed in customer's homes. These units have a warranty of three years and on average a useful life of around 7 years before they require replacement. Some units do last longer but the average unit should be expected to remain in use for seven years. Each year we therefore need to replace 1/7th of our stock at an estimated cost of £25,000. Deane Helpline has also experienced significant growth over the last six months and additional units will be needed to maintain this growth therefore an additional £3,000 is included to fund yearly increase of 30 customers per year.

4.8 **Disabled Facility Grants (Private Sector) £660k:** The Council has a statutory duty to provide grants to enable the adaptation of homes to help meet the needs of disabled residents. The grants are means-tested and following confirmation of the grant to be received from Somerset County Council’s Better Care Fund, the Council will receive £660k, providing the necessary funding to make this scheme affordable.

4.9 **Leisure Grants to Clubs and Parishes £15k:** Annual capital grant scheme for awards to voluntary village halls, community centres and sports clubs.

4.10 **Play Equipment Replacement £35k:** Annual capital scheme to replace play equipment within the Council’s 104 children’s playgrounds.

4.11 **Desktop Hardware £59k:** Annual PC refresh budget which plans for the entire desktop estate to be replaced on a rolling five year basis. The Windows 7 upgrade project replaced a large number of the oldest PCs.

4.12 **Waste Containers £100k:** This provides an annual budget of £100k to purchase new and replacement waste and recycling containers (bins and boxes) as part of the ongoing costs of the Somerset Waste Partnership.

4.13 **Members IT Equipment £4k:** This is an annual budget for replacement of IT equipment for members. £4k is included within the RCCO budget estimates for 2017/18 for this scheme.

4.14 **SWP Loan £3.5m:** As set out in a separate report, the capital programme includes a proposed loan of £3,500,000 to the Somerset Waste Partnership. The loan will be accounted for as capital expenditure and is therefore included in the draft capital programme.

4.15 **Deane House Refurbishment £5.874m:** The details of this project are set out in the report to Special Full Council on 6 February 2017. It is proposed that the capital element is funded through borrowing.

4.16 **Growth Schemes:** see section 6 below

4.17 The Executive is minded to propose the Capital Programme incorporating all of the above bids, totalling £13.75m. This is affordable based on available funding, as shown later in this report.

5 Funding the General Fund Capital Programme

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

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

5.2 Table 1 above summarise the proposed funding of the Capital Programme for 2017/18 and they show that the proposed Capital Programme for 2017/18 is fully funded through a combination of revenue contributions (DLO and General), capital reserves plus grant funding provided via SCC.

Funding Sources Explained

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

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

5.5 **Grant Funding:** The Council receives capital grant for Disabled Facilities Grant. The confirmed grant for 2017/18 is £660k. This funding is now rolled into the Better Care Fund (BCF) and it is the responsibility of the commissioners of the fund – the Clinical Commissioning Group (CCG) and Somerset County Council – to decide how the money is allocated. TDBC has representation on various groups to try and ensure our interests are protected.

5.6 **Capital Contributions:** This could take the form of capital contributions from other authorities or developers in the form of s.106 funding.

5.7 **Revenue Funding (RCCO):** The Council's draft budget includes an annual sum of £406k to fund capital expenditure from General Fund revenue budgets. For 2017/18 RCCO bids total £401k, which if supported through the approval of the 2017/18 Programme would be affordable.

5.8 **Borrowing:** This would be in the form of taking out a loan either from the markets or through the PWLB which would incur interest costs chargeable to the revenue budget. There is also "internal borrowing" which is treated the same as external borrowing for funding purposes, but uses cash balances rather than taking out a physical loan.

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

6 Capital Programme for Growth and Regeneration 2017/18

6.1 Full Council, 15 December 2015 approved the allocation £16.6m of New Homes Bonus (NHB) funding over the five year period 2016/17 to 2020/21, to support its priorities relating to growth and regeneration. A number of 'spend categories' were approved, as follows:

- Taunton Strategic Flood Alleviation(£3m)
- Major Transport Schemes (£2.5m)
- Town Centre Regeneration (£2.5m)
- Employment site enabling and promoting enterprise and innovation (£4m)
- Marketing, promotion and inward investment (£0.5m)
- Supporting urban extension delivery (£4m)
- Preparation of Local Development Orders (£0.1m)

6.2 Full details of this allocation and the associated principles of spending were provided in the report to the Executive dated 3 December 2015 (see attached background paper).

6.3 The Executive report of 3 December highlighted the fact that the profile of spending over the five year period was indicative and would be refreshed annually, to ensure that spending plans remained aligned with an evolving picture of external funding secured, opportunities for new funding and new growth priorities.

6.4 Having now carried out the above mentioned annual review, a refreshed annual profile of spending on growth is proposed in the table below.

Table 2: Indicative Growth and Regeneration Spend Profile and Funding

	2016/17 Budget £k	2017/18 Proposed £k	2018/19 Indicative £k	2019/20 Indicative £k	2020/21 Indicative £k	Totals £k
Capital schemes:						
Taunton Strategic Flood Alleviation				1,000	2,000	**3,000**
Major transport schemes	400	1,000	1,000	800	300	**3,500**
Town Centre regeneration	200	1,300	1,700	300		**3,500**
Employment site enabling and innovation to promote Growth		500	1,500	1,500	500	**4,000**
Urban Extensions		500	500	500	500	**2,000**
Revenue costs:						
Marketing Promotion and Inward Investment	100	100	100	100	100	**500**
Preparation of LDO's	50	50				**100**
Total Investment	**750**	**3,450**	**4,800**	**4,200**	**3,400**	**16,600**

Funding Available:						
Projected NHB Income	3,883	4,035	3,479	3,316	3,672	18,385
NHB Unallocated Balance brought forward	4,162					4,162
Car Parking Revenue Repayment to NHB pot		150	150			300
Less: NHB Allocated to Revenue Budget	-392	-392	-392	-392	-392	-1,960
NHB Funding Available	**7,653**	**3,793**	**3,237**	**2,924**	**3,280**	**20,887**
Funding Required: Brought forward approved growth commitments	4,683					4,683
£16.6m Growth Programme	750	3,450	4,800	4,200	3,400	16,600
Funding Required	**5,433**	**3,450**	**4,800**	**4,200**	**3,400**	**21,283**
Cumulative Funding Surplus / Shortfall(-)	**2,220**	**2,563**	**1,000**	**-276**	**-396**	**-396**

6.5 Members will note from the above table that the spending categories remain as originally approved and that no change is proposed to the overall allocation of £16.6m over the period 2016/17 to 2020/21.

6.6 The table shows that, following the refresh of the New Homes Bonus funding forecast taking account of the proposals within the Provisional Settlement 2017/18 and housing planning trajectory, there is a projected funding shortfall of £396,000. This is considerably less than previous forecasts.

6.7 Within the overall £16.6m allocation, members will note that changes to the original profile) are now proposed in some categories, namely:

- **Major Transport Schemes** – overall allocation increased from £2.5m to £3.5m mainly due to need to provide match funding towards major transport improvements at J25 (where major LEP funding has now been approved) and Toneway Corridor.
- **Town Centre Regeneration** – overall allocation increased from £2.5m to £3.5m to enable the delivery of major Town Centre schemes, such as Firepool and Coal Orchard.
- **Employment sites, enterprise and innovation** – no change to overall allocation (£4m) but change in profile to reflect likely spend requirement
- **Supporting Urban Extension delivery** – overall allocation reduced from £4m to £2m due to increased ability to use alternative funding sources such as CIL, Capacity Funding and planning performance agreements to support delivery.

6.8 It is important to emphasise that the figures for NHB income have been amended to reflect the proposed changes (the 0.4% growth top-slice) detailed in the Provisional Settlement. Certain assumptions have also been made regarding the level of growth and the subsequent grant allocation. Although no proposal has as yet been made, any change in the Government's distribution of the grant between the Upper and Lower Tier authorities could have a significant effect on the grant income. This is an ongoing risk. Despite these uncertainties, the Council's growth ambition remains undiminished, and Members are asked to note that officers are working on a number of potential options to maintain, and potentially increase, the overall funding commitment to delivering growth through a number of sources in addition to NHB, such as:

- Capacity funding from Government, where large scale developments (such as urban extensions) may be eligible for support
- Planning performance agreements and planning fee income
- Community Infrastructure Levy

6.9 Subject to business case, the Council could also consider the use of prudential borrowing to provide additional capital resources.

7 2017/18 Draft Housing Revenue Account Capital Programme

7.1 The proposed Draft HRA Capital Programme 2017/18 totals £9.36m. This is provided to deliver the prioritised capital investment requirements included in the current Business Plan for the next budget year. The current 5-Year HRA Capital Programme is shown below, which includes forecast capital expenditure requirements for the period 2017/18 to 2021/22, as identified in the Business Plan.

7.2 This report does not include schemes that have been previously approved where the spending is planned to be incurred in 2017/18.

Table 3: Draft HRA Capital Programme 2017/18

Project	Total Cost £k
Major Works	6,222
Related Assets	80
Improvements	50
Exceptional Extensive Works	482
Disabled Facilities Grants and Aids and Adaptations	416
Building Services Vehicles	121
Social Housing Development Fund	1,989
Total Proposed HRA Capital Programme 2017/18	**9,360**

7.3 Members are being asked to approve the Capital Maintenance and Improvement Works Programme budget for 2017/18 at £9.360m.

7.4 It is proposed that the HRA capital programme for 2017/18 shown above is funded from the Major Repairs Reserve (from depreciation), revenue contribution (RCCO) from the Social Housing Development Fund, and capital receipts (Right to Buy).

7.5 A summary of the estimated funding available before the funding of the 2017/18 capital programme is shown in the table below:

Table 4: Funding Estimates

General Fund	2017/18 £k
Major Repairs Reserve	7,371
Social Housing Development Fund (RCCO)	1,185
Capital Receipts	804
TOTAL Funding	**9,360**

Major Works

7.6 This line in the capital programme covers a number of areas of spend. The council is required to maintain decent homes standards ensuring items are replaced as and when needed.

7.7 The detail used to make up the budget is shown in the table below and this is what the budget line is expected to be spent on. This is subject to change depending on factors such as contractor availability, and any changes to the profile of spend will be agreed with the Director for the service.

Table 5: Major Works

Project	**Total Cost £**
Kitchens	500,000
Bathrooms	720,000
Roofing	200,000
Windows	200,000
Heating Systems	2,120,000
Doors	500,000
Fire Safety Work	200,000
Fasciae and Soffits	880,000
Heat Pumps	490,000
Door Entry Systems	272,000
Insulation	80,000
Ventilation	60,000
Total	**6,222,000**

7.8 Major Works includes the following:

- Kitchens: This is for the replacement of kitchens as and when required.
- Bathrooms: This is for the replacement of bathrooms as and when required.
- Roofs: Roofs are replaced as and when required.
- Windows: This project is to replace the oldest double glazed windows.
- Heating Systems: The replacement and upgrade of boilers and heating systems.
- Doors: This project replaces doors for better energy conservation and security issues.
- Fasciae, Soffits and Rainwater Goods: This is for replacement where necessary.
- Fire Safety Works in Communal Areas: This is to fund works identified on the TDBC action plan following the fire in the communal area of a block of flats. The action plan was accepted by the Fire Service.
- Door Entry Systems: This is for the installation of door entry systems in all blocks of flats.
- Insulation: The upgrade of insulation, for example cavity wall insulation in dwellings.
- Ventilation: Improvement of ventilation in dwellings

Related Assets

7.9 This line in the capital programme is for work to non-dwelling assets such as garages, unadopted areas, meeting halls and sewage treatment works.

Table 6: Related Assets

Project	Total Cost £
Meeting Halls	10,000
Garages	30,000
Sewerage Treatment Works	20,000
Unadopted Areas	20,000
Total	**80,000**

Improvements

7.10 A budget of £50k for estate improvements is included in the HRA capital programme, as identified in the Business Plan.

Exceptional/Extensive Works

7.11 This project is for works such as asbestos removal and subsidence works to the Council's non-traditional properties. A budget of £482,000 is included in the 2017/18 programme for asbestos removal.

Disabled Facilities and Aids and Adaptations

7.12 This is an annual recurring budget for small and large scale home aids and adaptations in tenants' homes where there are mobility issues. This budget is demand led by requests from tenants or through recommendations by occupational therapists or other healthcare professionals. Applications are made through the Somerset West Private Sector Housing Partnership.

7.13 The demand for adaptations has been historically lower than budget and provision was made in the Business Plan for a phased reduction from £0.435m to £0.300m over a five year period. This will be done line with a number of steps being taken, such as moving towards more cost effective installations of wet floor shower rooms through a new fixed price contract; switching from concrete ramps to better value metal modular ramps; and a move toward stairlift loans and recycling, rather than purchases. These measures will ensure that the service stays within reduced budgets without impacting tenants.

Building Services Vehicles

7.14 The transfer of Building Services from the DLO to the HRA means that the HRA will need to hold a budget for any new/replacement vehicles needed. This will be funded from depreciation within Building Services, which has previously been included within the hourly rate to the HRA, and so does not increase the net cost to the HRA.

Social Housing Development Fund

7.15 The budget for the Social Housing Development Fund is for new development/redevelopment of housing. This budget increased to £1.95m in 2016/17 in the Business Plan and represents an ongoing programme averaging 15 units a year. For 2017/18 this is increased to £1.989m

Draft HRA 5-Year Capital Programme

7.16 The current 5-year capital programme is included for information and is shown in the table below.

Table 7: Draft HRA 5-Year Capital Programme

	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	5-Year Total £k
Capital Programme	9,360	9,457	9,616	9,748	7,665	45,846

8 Links to Corporate Aims

8.1 The budget proposals for 2017/18 have been prepared with consideration to links with the Corporate Aims.

9 Finance / Resource Implications

9.1 As set out above.

10 Legal Implications

10.1 Managers have considered legal implications in arriving at the recommended budget for 2017/18.

11 Environmental Impact Implications

11.1 Environmental implications have been considered in arriving at the draft budget proposals for 2017/18.

12 Safeguarding and/or Community Safety Implications

12.1 Environmental and community safety implications have been considered in arriving at the draft budget proposals for 2017/18.

13 Equality and Diversity Implications

13.1 Equalities impacts have been considered regarding the Capital Programmes for the General Fund and HRA. No Equality Impact Assessments are required for the attached savings in the General Fund. An assessment in relation to Disabled Facilities Grants budget was included with the Budget Report in 16/17 and we have continued with the approved policy and the budget for 17/18 is materially the same. Therefore, an Equalities Impact Assessment has not been included with this report.

14 Social Value Implications

14.1 Procurement arrangements in respect of specific projects will be considered through the implementation of approved schemes, in line with the council's procurement strategy.

15 Partnership Implications

15.1 The private sector housing capital budget is managed on behalf of TDBC by the Somerset West Private Sector Housing Partnership (SWPSHP).

16 Health and Wellbeing Implications

16.1 Disabled Facilities Grants support the health and wellbeing of residents that need additional aids and adaptations in their own homes.

17 Asset Management Implications

17.1 The Capital Programme includes proposals to address asset management priorities.

18 Consultation Implications

18.1 None for the purpose of this report.

19 Scrutiny Comments

19.1 Corporate Scrutiny Committee noted the report and supported the recommendations to Executive and Full Council to approve the General Fund and HRA capital programmes. The Committee noted the final recommended budgets would include the SWP Loan and Deane House accommodation project requirements if supported by Members.

Democratic Path:

- **Corporate Scrutiny – 26 January 2017**
- **Special Full Council (Deane House Project) – 6 February 2017**
- **Executive – 9 February 2017**
- **Full Council – 23 February 2017**

Reporting Frequency: Annual

Contact Officers

Name	Jo Nacey Finance Manager	Name	Paul Fitzgerald Assistant Director Resources
Direct Dial	01823 356537	Direct Dial	01823 358680
Email	j.nacey@tauntondeane.gov.uk	Email	p.fitzgerald@tauntondeane.gov.uk
Name	Lucy Clothier, Project Manager – HRA Business Plan Review		
Direct Dial	01823 358689		
Email	l.clothier@tauntondeane.gov.uk		

Executive Forward Plan

09/02/2017, Report:Hinkley Point C Housing Fund Strategy
Reporting Officers:Lisa Redston

09/02/2017, Report:Genral Fund Revenue Budget Estimates 2017/2018

09/02/2017, Report:Housing Revenue Account Budget Estimates 2017/2018

09/02/2017, Report:Capital Programme Estimates 2017/2018

09/02/2017, Report:Treasury Management Strategy 2017/2018

09/02/2017, Report:Somerset Waste Partnership Business Plan
Reporting Officers:Chris Hall

08/03/2017, Report:Supported Housing Property Review

20/04/2017, Report:Corporate Plan 2017/2018
Reporting Officers:Richard Doyle

06/07/2017, Report:Regeneration of the Coal Orchard, Taunton – Capital Investment
Reporting Officers:Ian Timms

03/08/2017, Report:TDBC Financial Performance 2016/2017 - Outturn Report

03/08/2017, Report:Medium Term Financial Strategy 2018/ 2019

03/08/2017, Report:Q4 - Performance Report
Reporting Officers:Richard Doyle

03/08/2017, Report:Investment in The Collar Factory, Taunton.
Reporting Officers:David Evans
Contains exempt information requiring private consideration: Yes
Exempt reason:The report is likely to contain confidential information.

07/09/2017, Report:Proposed acquisition of land at Lisieux Way Business Park, Taunton
Reporting Officers:Tom Gillham
Contains exempt information requiring private consideration: Yes
Exempt reason:The report is likely to contain confidential information relating to financial and business affairs.

07/09/2017, Report:Cemetery and Crematorium - Supplementary Budget
Reporting Officers:Chris Hall

07/09/2017, Report:Business Rates - “Revaluation Relief”
Reporting Officers:Dean Emery

07/09/2017, Report:Proposed Repairs Notice - Premises in Wellington

Reporting Officers:Tim Burton
Contains exempt information requiring private consideration: Yes
Exempt reason:The item is likely to include confidential information relating to financial and/or business affairs.

09/11/2017, Report:Review of the Council Tax Support Scheme for 2018/19
Reporting Officers:Heather Tiso

29/11/2017, Report:Fees and Charges 2018/2019

29/11/2017, Report:Earmarked Reserves Review

29/11/2017, Report:2018/2019 Draft Budget Estimates Update

29/11/2017, Report:Somerset Waste Partnership Business Plan
Reporting Officers:Chris Hall

29/11/2017, Report:TDBC General Fund Asset Strategy

11/01/2018, Report:Crematorium Waiting Room Extension
Reporting Officers:Chris Hall

08/02/2018, Report:General Fund Revenue Budget 2018/ 2019

08/02/2018, Report:Housing Revenue Account Budget 2018/2019

08/02/2018, Report:Treasury Management Strategy 2018/

19/03/2018, Report:Transitioning to a New Council
Reporting Officers:Penny James,Shirlene Adam

05/07/2018, Report:Quarter 4 Performance Monitoring Report
Reporting Officers:Richard Doyle

05/07/2018, Report:Finance Outturn Report
Reporting Officers:Paul Carter

06/09/2018, Report:Taunton Transport Strategy
Reporting Officers:Dan Webb

06/09/2018, Report:Electric Vehicle Charging Points
Reporting Officers:Chris Hall

28/11/2018, Report:North Taunton Woolaway Project Proposal
Reporting Officers:Jo Humble