

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 4 February 2016 at 18:15.

Agenda

- 1 Apologies.
- 2 Minutes of the meeting of the Executive held on 3 December 2015 (attached).
- 3 Public Question Time.
- 4 Declaration of Interests
To receive declarations of Disposable Pecuniary Interests or personal or prejudicial interests, in accordance with the Code of Conduct. The usual declarations made at meetings of the Executive are shown on the attachment.
- 5 Somerset Waste Partnership Draft Business Plan 2016-2021. Joint report of the Assistant Director - Operational Delivery and Somerset Waste Partnership's Managing Director (attached).

Reporting Officers: Steve Read
Chris Hall
- 6 Draft Corporate Strategy 2016-2020. Report of the Corporate and Performance Manager (attached).

Reporting Officer: Paul Harding
- 7 Earmarked Reserves Review. Report of the Senior Accountant and Deputy Section 151 Officer (attached).

Reporting Officer: Jo Nacey
- 8 Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Reserve Provision Policy 2016/2017. Report of the Senior Accountant and Deputy Section 151 Officer (attached).
- 9 Draft General Fund Revenue Estimates 2016/2017. Report of the Finance Manager (attached)

Reporting Officer: Steve Plenty
- 10 Draft Housing Revenue Account (HRA) Estimates 2016/2017. Report of the Finance Manager (attached).

Reporting Officer: Steve Plenty

11 Capital Programme Budget Estimates 2016/2017. Report of the Finance Manager (attached).

Reporting Officer: Steve Plenty

12 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

18 July 2016

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



Lift access to the John Meikle Room and the other Committee Rooms on the first floor of The Deane House, is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available off the landing directly outside the Committee Rooms.



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

For further information about the meeting, please contact the Corporate Support Unit on 01823 356414 or email r.bryant@tauntondeane.gov.uk

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Executive Members:-

Councillor M Edwards	(Business Development and Asset Management and
Communications (Deputy Leader))	
Councillor J Warmington	(Community Leadership)
Councillor R Parrish	(Corporate Resources)
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 Habgood	(Planning Policy and Transportation)
Councillor C Herbert	(Sports, Parks and Leisure)

Executive – 3 December 2015

Present: Councillor Williams (Chairman)
Councillors Habgood and Mrs Warmington

Officers: Penny James (Chief Executive), Brendan Cleere (Director – Growth and Development), Heather Tiso (Revenues and Benefits Service Manager), Simon Lewis (Assistant Director – Housing and Communities), Steve Boland (Housing Services Lead - Housing and Communities), Jan Errington (Area Community Manager), Jo Nacey (Finance Manager), Steve Meers (Principal Accountant - Services), Lucy Clothier (Accountant), Tim Burton (Assistant Director – Planning and Environment) and Richard Bryant (Democratic Services Manager)

Also present: Councillor Aldridge

(The meeting commenced at 6.15 pm.)

64. Apologies

Councillors Beale, Edwards, Mrs Herbert and Parrish.

65. Minutes

The minutes of the meeting of the Executive held on 11 November 2015, copies of which had been circulated, were taken as read and were signed.

66. Declarations of Interest

Councillor Mrs Warmington declared a personal interest as her daughter was a recipient of Housing Benefit.

67. Review of Council Tax Support Scheme for 2016/2017

Considered report previously circulated, concerning the latest review of the Council Tax Support Scheme.

On 1 April 2013 Council Tax Benefit (CTB) had been abolished and replaced with a locally designed “CTS” (CTS) Scheme. The Government had provided each billing authority with a grant and expected Councils to design a CTS scheme to help those on low incomes to meet their Council Tax liability. Initially, 90% of funding previously granted by the Government for CTB was provided for localised CTS.

Whilst the Council had discretion on the rules for CTS for people of working age, the Government had stipulated that pensioners should be fully protected under the same criteria that previously applied to CTB. The Government had also stipulated that, as far as possible, CTS for vulnerable groups should be protected too.

The Department for Communities and Local Government (DCLG) provided funding through the annual Settlement Funding Assessment (SFA) to help meet the cost of localised CTS schemes. Each of the major precepting authorities in Somerset received the initial funding based on their share of Council Tax receipts.

In Taunton Deane, the initial grant for precepting authorities was £6,110,080, with this Council's share being £587,775 (based on a 9.62% share in 2013/2014). From 1 April 2014, funding for localised CTS had been merged into the Revenue Support Grant (RSG) and Business Rates Funding Baseline and was not separately identified, but the SFA had reduced by 26.1% in cash terms in the two years up to 2015/2016, and was projected to continue to reduce significantly over the next four years.

A reduction of 26.1% would result in an overall budget of £4,423,358. If there was no change to the existing CTS scheme, it was estimated the Councils would award CTS of £5,515,725 in 2016/2017. This would mean a budget shortfall of £1,092,367, with Taunton Deane's share of that shortfall being £105,086.

Full Council had adopted the current local CTS Scheme at its meeting on 11 December 2012. For people of working age, the scheme for 2015/2016 had a number of key elements namely:-

- Maximum support was 80% of Council Tax - everyone of working age had to pay something; Increased non-dependant deductions;
- No second adult rebate;
- Earned income disregards were at increased levels than those offered under CTB; and
- An Exceptional Financial Hardship fund of £35,000, through the Discretionary Reduction in Council Tax Liability for short term help.

On 9 December 2014, Full Council had decided to continue the 2014/2015 CTS scheme for 2015/2016 with an amendment to disregard maintenance received for children.

However, with the reduced level of funding from the Government through the SFA, the Council had worked in collaboration with Somerset County Council (SCC) and the other Somerset District billing authorities to develop options to revise Taunton Deane's CTS scheme for working age applicants from 2016/2017.

Any local scheme had to be agreed with the major precepting authorities such as the SCC, Avon and Somerset Police and Devon and Somerset Fire and Rescue Authority by 31 January 2016.

Consultation with the precepting authorities and the public had taken place in respect of the following five options:-

Option 1 – The Council to work out CTS in the same way as was done now. Any shortfall in the funding received and the CTS paid in 2016/2017 would need to be met from other Council budgets. Response – 32% in favour;

Option 2 - Applicants with capital of over £6,000 would not be entitled to CTS.

Response – 71% in favour;

Option 3 – The Council to use a Minimum Income figure for those who were self-employed. This Minimum Income would be in line with the UK minimum wage for 35 hours worked. The Council would not apply this Minimum Income for a designated start-up period of one year to allow the business to become established. If a self-employed person was limited in the hours they could work, the Minimum Income would be worked out proportionately. This proposal would align our treatment of income for self-employed people with that used to work out Universal Credit. Response – 67% in favour;

Option 4 – The Council to change the scheme to pay CTS at a level that would be no more than for a Band D property. This would not disadvantage any applicant who lived in smaller or lesser value property. Response – 69% in favour;

Option 5 - The Council to apply a taper of 65% to the income of applicants with no earnings and apply a taper of 20% to people in work. This would mean two applicants on similar income levels, but where one was in work, would receive different levels of support. The applicant with no earnings would receive less CTS, compared to an applicant with earnings receiving the same weekly income. Response – 53% in favour.

Any of the options to reduce the level of support the Council offered through CTS would have an adverse or positive impact on certain applicants or groups of applicants. If the support offered through the CTS scheme was cut, the Council would need to consider a careful selection of options for Taunton Deane's particular demographic. There was no single option or change to the CTS scheme that could deliver sufficient savings to meet the predicted budget gap from the reduced RSG and Business Rates funding in 2016/2017.

The reality was that any revised scheme that reduced the amount of rebate awarded, needed to establish which applicants were more able to pay an increased level of Council Tax with the reduction in their CTS. The decision would be to choose what options were acceptable to the Council bearing in mind the overall level of finance available.

The welfare changes announced in the Summer Budget would have had a significant impact on the Council's CTS scheme. However, the Chancellor had since announced in the Autumn Statement, that proposals on Tax Credits to increase the taper and reduce the threshold would not now go ahead. As a result:-

- the tax credits income threshold would remain at £6,420 from April 2016; and
- the tax credits taper would remain at 41% of gross income.

8,514 people initially moved from the CTB Scheme to the localised CTS Scheme. As at 31 March 2015, this had reduced to 7,749. It was accepted this was primarily due to the gradual improvement in economic conditions as well as increases in the pension age.

The net collectable amount for Council Tax in 2014/2015 had increased by 6.2% in comparison to 2012/2013. The collection of Council Tax in year was at a similar level, with additional income for Taunton Deane of £303,000 based on its preceptor share of 9.66% in 2014/2015.

While it had been possible to maintain in-year collection of Council tax at 98% since the introduction of CTS, this had entailed significant extra work for Revenues Officers. For many customers, having to pay Council Tax had caused them budgeting issues, not least because many were also affected by other welfare reform impacts, such as the removal of the spare room subsidy.

While working age CTS recipients represented 8% of households, the value of their debt was equivalent to 33% of all Council Tax outstanding at 31 March 2015 (£1,137,340).

Although, the collection rate had remained the same as the previous year, it had become clear that the volume of recovery action had again increased to ensure collection levels remained high.

Within the 2013/2014 Local Government Finance Settlement, the Government had included funding for CTS that included a proportion relating to Parishes and Special Expenses. The Council had previously decided to pass on a proportion of this funding to Parishes to reflect their reduction in funding as a result of CTS. For 2013/2014, a grant was given to Parishes based on the tax base reduction attributable to CTS in each Parish multiplied by their 2012/2013 Band D Charge.

Since 2014/2015 the Funding Settlement had not separately identified the proportion of funding for CTS for any preceptors - including Taunton Deane and Parishes so the Council had approved the principle of applying the same formula used in the previous year. This had meant each Parish's grant for CTS was calculated as CTS Tax Base Adjustment x 2013/2014 Parish Band D Tax rate.

In view of the significant financial pressures, the Council needed to make difficult decisions in order to balance the budget and provide a sustainable financial future. It was therefore suggested that careful consideration should be given to the level of grant funding that was affordable in 2016/2017 and subsequent years to mitigate the CTS impact on Parishes, whilst recognising the impact on Parish budgets and potential local tax requirements. If funding was reduced Parishes would have the opportunity to consider whether to take action to reduce their costs and/or adjust the amount of precept levied on the local tax payer.

The amount of grant funding provided to Parishes and the Unparished Area in 2015/2016 totalled £45,000. The Council therefore needed to determine the policy for providing any CTS Grant funding to Parishes for 2016/2017. The following options for 2016/2017 existed:-

Option (a) - Use the same formula that was used for 2015/2016, so each Parish's grant for CTS would be calculated as:-

CTS Tax Base Adjustment x 2013/2014 Parish Band D Tax rate.

This would reduce the budget requirement for CTS Parish Grants by approximately £420, to a total of approximately £44,580.

Option (b) - Use the same formula that was used for 2015/2016 as the baseline, but phase out the funding over two years, so each of the Parish grants for CTS would be calculated as:-

- 2016/2017: CTS Tax Base Adjustment x 2013/2014 Parish Band D Tax rate x 66%;
- 2017/2018: CTS Tax Base Adjustment x 2013/2014 Parish Band D Tax rate x 33%;
- 2018/2019: Nil – CTS grant funding ceases.

This would reduce the budget requirement for CTS Parish Grants by approximately £15,300 in 2016/2017, £30,150 in 2017/2018 and by £45,000 in 2018/2019.

It was also recommended that the same funding principle agreed for Parishes should be applied to the Council budget for the Unparished Area Fund.

The above proposals and options had been considered by the Corporate Scrutiny Committee on 22 October 2015. Members had recommended to amend the current CTS scheme to reduce support offered to working age applicants in 2016/2017 by:-

- removing entitlement to applicants with capital over £6,000;
- applying a Minimum Income for self-employed applicants; and
- paying CTS at a level that would be no more than for a Band D property.

The Committee had also indicated its preference to support Option (a) in terms of providing support to the Parish Councils.

Having taken account of the contents of the very detailed Equality Impact Assessment that had been undertaken, the Executive decided to agree the proposed amendments to the CTS scheme. However, option (b) – set out above – was the preferred option for the continuation of support over the next two years to the Parishes.

Resolved that:-

- (1) It be recommended to Full Council that:-
 - (i) Having regard to the consultation responses and the contents of the Equality Impact Assessment, the Council Tax Support Scheme be amended to that shown in the separate Appendix 1 to the report – and illustrated in Model 9 – to reduce support for working age applicants in 2016/2017 by:-
 - removing entitlement to applicants with capital over £6,000;
 - applying a Minimum Income for self-employed applicants; and
 - paying the Council Tax Support scheme at a level that would be no more than for a Band D property.
 - (ii) Option (b) be used in providing and calculating CTS Grant funding for Parish Councils in 2016/2017; and
- (2) It be noted that the 2016/2017 Council Tax Support Scheme was recommended

for 2016/2017 only.

68. **Sheltered Housing Service and Charges**

Considered report previously circulated, concerning the Council's Sheltered Housing Service and charges.

Taunton Deane Borough Council currently owned, managed and provided housing related support services to a total of 880 Sheltered Housing Council Tenants.

The Council's Sheltered Housing was currently comprised of two separate but highly related elements:-

- 'Designated accommodation' – This was a flat or bungalow, which was equipped with an interactive alarm system. The accommodation was paid for by tenants in the form of rent and service charges. Tenants on low incomes could claim Housing Benefit to assist with both the rent and 'Housing Benefit eligible' service charges; and
- 'Housing related support' – This could include regular and occasional welfare checks that provided reassurance and a minimal level of social contact. The support could also help with basic household tasks too. The housing related support service was paid for by Somerset County Council (SCC) grant – formerly Supporting People funding.

Over the last few years the Council's contract with SCC to provide housing related support to its Sheltered Housing Tenants had reduced significantly. In 2012/2013 the overall contract value was £244,223.48, reducing to £229,570.07 in 2013/2014.

Following a comprehensive review of commissioned services by SCC throughout 2013/2014 a new contract had been entered into by the Council to provide housing related support to its Sheltered Housing Tenants. The overall value of the new contract was £153,046.71 per year for the period October 2014 to October 2018.

In addition, SCC's review had also redefined key elements of its service contract specification, such as:-

- Limiting the provision of support to people with higher level support needs;
- Providing support that was focussed on helping people to develop ways of coping with the things they were finding difficult and would be increased, reduced or stopped according to their needs at any given time; and
- Providing support only where the person had no other means of meeting their needs.

As a direct consequence, Taunton Deane was having to make changes to the housing related support service it currently delivered to its Sheltered Housing Tenants which sought to promote independence and supported all tenants to achieve economic wellbeing, stay safe, be healthy, enjoy and achieve and make a

positive contribution.

The service was generally well regarded by all Sheltered Housing Tenants achieving consistently good levels of satisfaction ratings over many years.

The proposed new Sheltered Housing Service for tenants would continue to respond to the ageing population in our Sheltered Housing schemes. The service would have a positive social impact, helping tenants to lead active and independent lives.

Listed below was what a tenant should expect from the proposed new Sheltered Housing service which was a base line service that every tenant would receive:-

- (1) Additional housing management – To include:-
 - Help on entering the service;
 - Preventing tenancy breakdown;
 - Help with maintaining security; and
 - Help with moving on;
- (2) Community development;
- (3) Tenant involvement and empowerment;
- (4) Housing related support service; and
- (5) Deane Helpline and Emergency Response service.

At present, the amount of weekly service charge a tenant paid for their Sheltered Housing service depended on the type of Sheltered Housing scheme on which they resided.

In the existing service charges, a tenant residing on a 'low level scheme' would receive less regular contact from staff and this would be classed as the baseline service. However, a tenant residing on a more 'standard Sheltered Housing scheme' might require more regular visits and increased contact.

The usual current service charges applied to Sheltered Housing Tenants rent accounts for 2015/2016 were shown below. However some tenants had a tenancy that had 'protected rights' in relation to the sheltered component of their service charge:-

Type of service	Current weekly charge
Sheltered housing	£12.59
Low level sheltered housing	£ 4.47
Current average sheltered service cost	£10.93

In the proposed new service a new single rate service charge would be applied to all sheltered housing tenant rent accounts from April 2016:-

Type of service	Proposed new weekly sheltered housing service charge
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Additional housing management; Community Development and Tenant involvement and empowerment.	£10.93
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The housing related support element of the proposed new service would continue to be grant funded by SCC and subject to a formal contractual agreement.

The actual cost of providing the Deane Helpline and Emergency Response services to Sheltered Housing Tenants was £4.43 per week at 2015/2016.

It was therefore proposed that this cost should be applied as a charge to all Sheltered Housing Tenants rent accounts, with the financial consequences being taken account of as part of the current review of the Housing Revenue Account Business Plan.

Reported that this issue had been discussed at the meeting of the Community Scrutiny Committee held on 1 December 2015. Although Members supported the recommendations, an amendment was agreed whereby it was proposed that the above £4.43 per week charge would not be available to tenants in receipt of Attendance Allowance, Disability Living Allowance or a Personal Independence Payment.

Legal advice had subsequently been obtained that, if the amendment was adopted there would be a substantial risk that it would be successfully challenged on the grounds of discrimination under the Equalities Act 2010.

Resolved that Full Council be recommended to:-

- (1) Adopt the proposed new Sheltered Housing Service model;
- (2) Approve a flat rate Sheltered Service charge of £10.93 / week; and
- (3) Approve the inclusion of a service charge of £4.43 / week for the Deane Helpline Service with those in receipt of Housing Benefit receiving full subsidy via the Housing Revenue Account.

69. **New Homes Bonus – Funding towards Growth and Regeneration Priorities**

Considered report previously circulated, concerning proposals for the allocation of New Homes Bonus funding over the medium term.

Growth remained a top priority for the Council. This commitment had been reflected over recent years, with the allocation of New Homes Bonus (NHB) funding, primarily for growth and regeneration purposes.

In 2013, Members approved the following list of growth schemes that were intended to have 'first call' on NHB growth funding:-

- Firepool infrastructure and planning (£3,500,000);
- Toneway Corridor Transport improvements (£23,000,000);
- Junction 25 Improvements (£9,200,000); and
- Taunton Strategic Flood Alleviation works (£15,000,000).

Although it was accepted that NHB receipts would not be sufficient to fund these schemes in total, the NHB funding could nevertheless provide an important 'match funding' contribution towards them, with support from other funding partners increasing the likelihood of delivery.

Since 2013, the Council had achieved significant success with partners in taking forward its growth priority. Examples of success included:-

- Joint agreement (with Somerset County Council) of a *Growth Prospectus for Taunton*, establishing a clear vision for Taunton's economic success and a list of key growth projects to accelerate delivery.
- Funding awards for major transport schemes, including the Taunton Railway Station enhancement (£4,600,000), Junction 25 improvement (£12,000,000) and dualling of the A358 between A303 and Junction 25 (c. £275,000,000).
- Roll-out of Superfast Broadband to at least 90% of properties through Phase 1 of the *Connecting Devon and Somerset* programme in a £52,000,000 contract by the end of 2016.
- Development of an alternative and commercially viable proposal for the Firepool site, consistent with the *Taunton Rethink*, which would bring forward an exciting mixed use scheme.
- Approval of a Delivery Strategy for the redevelopment of the Coal Orchard site, and appointment of consultants to progress the next phase.
- Transformation of the landmark Market House Building, to provide a new home for the Taunton Visitor Centre as well as a new high quality restaurant.
- £1,200,000 funding for the Wiveliscombe Enterprise Centre.
- Shared commitment of key partners to the delivery of a major new strategic employment site adjacent to Junction 25, providing up to 4,000 jobs and stimulating growth in higher value business.
- Government funding for a dedicated delivery team for the Monkton Heathfield Urban Extension, providing 4,500 new homes.

Having made significant progress, it was now appropriate for the Council to renew and refresh its plans for allocation of NHB, so that spending plans were aligned as far as possible with current and emerging growth priorities.

A number of growth spend categories were proposed, reflecting the priorities established in the Taunton Growth Prospectus and aligned with the relevant plans and priorities of key partners. Having such funds allocated would enable the

Council to respond quickly to commercial and funding opportunities to support growth, which in turn would facilitate the realisation of Taunton's economic vision and key economic benefits.

The following table outlined a number of proposed growth spend categories, the NHB commitment proposed for each category over the period 2016/2017 – 2020/2021 and the NHB balance remaining in each of the financial years shown. The current projected closing balance (end 2015/2016) for unallocated NHB was an estimated £1,960,000.

Proposed NHB Allocation and Indicative Spend Profile

Growth project / category	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	Total NHB allocation £
Taunton Strategic Flood Alleviation			1,000,000	1,000,000	1,000,000	3,000,000
Major transport schemes	400,000	800,000	1,000,000	300,000		2,500,000
Town Centre regeneration	500,000	750,000	750,000	500,000		2,500,000
Employment site enabling and innovation to promote Growth		2,000,000	2,000,000			4,000,000
Urban Extensions		1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Marketing, Promotion and Inward Investment	100,000	100,000	100,000	100,000	100,000	500,000
Preparation of LDOs	50,000	50,000				100,000
Total NHB allocation	1,050,000	4,700,000	5,850,000	2,900,000	2,100,000	16,600,000

Estimated NHB receipt	3,890,106	4,014,306	3,882,741	3,711,974	3,651,974	
Less allocation to annual GF budget	392,000	392,000	392,000	392,000	392,000	
Indicative year end unallocated NHB balance (rounded)	4,410,000	3,330,000	970,000	1,390,000	2,550,000	

Reported that the following were proposed as principles that would guide the spending of allocated NHB funds. These had been updated to reflect views expressed by the Corporate Scrutiny Committee on 17 November 2015 where the proposals were generally supported:-

- A Business Case for funding should be provided to the Director and relevant Portfolio Holder, justifying the proposed investment in terms of contribution to growth and regeneration priorities and/or the potential for financial return.
- NHB contributions for physical infrastructure projects should normally be used as match funding, or to attract match funding, from other sources as part of a total funding package.
- NHB funding in the above categories could be used to fund specialist expertise and project related costs that would be required to deliver key schemes, as well as costs associated with 'hard infrastructure'.
- The NHB funding allocation and indicative profile 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.
- The profile of spending shown was indicative. With approval of the Director and relevant Portfolio Holder, spend might fall outside of the indicative years shown, within the overall sum allocated for the category and subject to sufficient NHB balance being available.
- The principles for NHB spend did not apply to the Community Infrastructure Levy, for which separate governance arrangements had been established.
- Decisions on project spend within allocated budgets would be taken by the Director – Growth and Development, in consultation with the Leader of the Council and the relevant Portfolio Holder.
- The Growth Steering Group would have an overview of all major spending on growth projects and additional monitoring by Councillors would occur through Budget Monitoring reports.
- Any significant single items of expenditure (with a value of more than £250,000) would be published in the Weekly Bulletin and therefore subject to the usual 'call in' process.

Further reported that the request to support the above prioritisation of NHB would enable these outline plans to be factored into the Medium Term Financial Plan, with initial requests in respect of 2016/2017 being included in the final budget proposals for next year.

The medium term proposals would be predicated on the NHB funding regime remaining in its current form. However, the Government's Autumn Statement had thrown some doubt on the long term availability of NHB funding.

Resolved that Full Council be recommended to:-

- (1) Approve the principles of spending;
- (2) Approve the proposed allocation of New Homes Bonus in 2016/2017 budgets
(as part of the Budget approval process); and

- (3) Agree that the growth spend categories and proposed New Homes Bonus commitment for 2017/2018 to 2020/2021 be incorporated within the draft Medium Term Financial Plan and Capital Programme (subject to annual review).

70. **Financial Monitoring – Quarter 2 2015/2016**

Considered report previously circulated, concerning the Council's financial performance for Quarter 2 of the financial year 2015/2016.

Effective financial management formed an important part of the Council's overall performance management framework.

A summary of the Council's Financial Performance during Quarter 2 was as follows:-

General Fund (GF) Revenue - The GF Revenue Outturn position was currently projected as a net underspend of £186,000 which was 1% below budget.

One of the main variances to the budget related to Rent Rebates. This service was reporting an underspend on budget of £114,000. This was a demand led service and the underspend represented less than 1% of the annual expenditure. It was proposed that £100,000 was transferred into an earmarked Benefits smoothing reserve to mitigate against the effects of anticipated changes in the funding of the Pathway for Adults (P4A) service in 2016/2017.

The GF reserve balance at the start of the year was £2,109,000. The 2015/2016 Budget included a one-off transfer of £105,000, and the Council also approved an allocation of £222,000 to the Business Rates Smoothing Reserve through the 2014/2015 Outturn report in July 2015.

The Council also received New Burdens Grant funding amounting to £81,000 for property searches in November 2015. The Council had already set aside from revenue £101,000 for the repayment of personal searches and the Government had paid an interim grant to help mitigate the cost. It was proposed to transfer this sum to the GF reserve to offset the sum set aside. This would take the current budgeted balance to £1,863,000 as at 31 March 2016.

If the current outturn forecast remained accurate and the Council took no corrective action in the year, the potential underspend of £186,000 would also be transferred to this reserve, increasing the projected balance to £2,049,000 at the end of the financial year. This remained above the current minimum balance of £1,500,000 required in the Council's Financial Strategy.

General Fund (GF) Capital - The GF approved Capital Programme was currently £12,543,000. This related to schemes which would be completed over the next five years. Of this, Budget Holders were projecting that £8,412,000 was planned to be spent during 2015/2016 with £4,126,000 due to be spent in future years. The Council was supporting this investment through the use of Capital Grants and Contributions, Capital Receipts, Revenue Funding and Borrowing.

Housing Revenue Account (HRA) - The current forecast outturn for the Council's Housing Revenue Account (HRA) was an overspend of £102,000 (0.4% of budget).

The HRA Reserves ("working balance") at the start of the year was £3,484,000, and the Council had approved an allocation of £776,000 for a number of initiatives and investment in services through the 2014/2015 Outturn report in July 2015. This reduced the current budgeted balance to £2,708,000, and was forecast to be £2,606,000 at the end of the current financial year based on current projected outturn. This was above the minimum recommended reserve level of £1,800,000.

As part of the continuing HRA Business Plan Review, a large piece of work was underway to look at the investment needed in our homes over the next 30 years. However, this had identified that further work, in the form of specialist surveys, was needed to update the Council's current stock condition data.

The cost of commissioning these surveys, along with fully updating the Council's stock condition system to ensure that it was fit for purpose, was expected to be in the region of £250,000.

It was therefore proposed that a supplementary estimate should be added to the 2015/2016 budget, funded from general reserves.

This would reduce the HRA general reserves balance to £2,458,000 with a forecast of £2,356,000 at the end of the financial year.

Housing Revenue Account (HRA) Capital - The approved HRA capital programme was £23,459,000, of which £12,927,000 related to works on existing dwellings and £10,532,000 for the provision of new housing through development.

Deane DLO Trading Account - The DLO was not forecasting an over/ underspend /over recovery after contributing £101,000 to the General Fund. Any surplus would be transferred to the DLO trading reserve.

The Trading Account Reserves Position balance brought forward of £679,000 related to a retained trading surplus of £314,000, plus capital reserves set aside to support investment in the service.

Deane Helpline Trading Account - The Deane Helpline was currently underspent on budget, forecasting a year end outturn net deficit of £40,000.

Resolved that Full Council be recommended to approve:-

- (1) The request to transfer the £81,000 New Burdens Grant income on Property Searches to the General Reserves;
- (2) The request to transfer the £100,000 underspend on Rent Rebates to a Benefits smoothing reserve to cover the potential effects on Housing Benefits of Pathway for Adults (P4A); and
- (3) A supplementary estimate in 2015/2016 of £250,000 funded from Housing Revenue Account reserves to commission a survey of the housing stock and the updating of the stock condition database.

71. Fees and Charges 2016/2017

Considered report previously circulated, concerning the proposed fees and charges for 2016/2017 for the following services:-

- Cemeteries and Crematorium – It was proposed to increase the main cremation fee by £50 to £700 and make minor increases for other charges within the service. This was likely to increase income by £75,000;
- Waste Services – The Somerset Waste Partnership proposed to increase its charges for the Garden Waste Service Charge from £48 to £53 as well as a modest increase to the cost of garden waste sacks. It was anticipated this would generate additional income of £50,000;
- Housing Services – In accordance with the 30 year Housing Business Plan, it was proposed to increase housing (non-rent) fees and charges by applying Retail Price Index (RPI) inflation as at September 2015 (0.8%). The increases were likely to generate £2,800 for the Housing Revenue Account;
- Court Fees - Due to a recent High Court Case Local Authorities were required to review and detail the breakdown of how costs were calculated. The proposal was a single charge added at the point the summonses were issued, where previously a separate Liability Order fee was added at the date of the hearing. The implementation of the new fee of £74.15 would take effect from 16 December 2015 and would generate additional income of £3,500.

No increases to the fees charged by Land Charges, Licensing, Planning, Environmental Health, Promotional 'Rotunda Units', Building Control and Freedom of Information were proposed.

Resolved that Full Council be recommended to agree the fees and charges for 2016/2017 in respect of the Cemeteries and Crematorium, Waste Services, Housing Services and Court Fees.

72. The use of Local Development Orders for development sites in the Taunton area as an alternative to a review of the Town Centre Area Action Plan and a Development Plan Document for the Strategic Employment site adjacent to Junction 25 of the M5

Considered report previously circulated, concerning Local Development Orders (LDO's) which had been introduced as a planning tool by the Labour Government as part of the suite of planning reforms outlined in the Planning and Compulsory Purchase Order Act of 2004. Up until fairly recently however, take up of LDOs had been quite limited across the Country.

An LDO was a means of bringing forward land for development without the need for an individual planning permission to be issued. Instead, development which met the criteria set out in the Order would automatically be allowed. LDOs therefore represented an important planning tool which could act as a catalyst to bring forward development and investment by providing certainty - particularly useful in the

redevelopment of complex brownfield opportunities.

The process for preparing a LDO was rather complex. The Local Planning Authority had to undertake informal consultation outlining the policies it proposed to implement, the development permitted and the area to which the Order would relate. It had also to set out a 'statement of reasons' that established the reasons for making an Order based upon sound evidence.

LDOs could not be required to provide Section 106 obligations which meant that sites covered could not be obliged to provide affordable housing or other financial contributions in order to make development acceptable in planning terms. However, the Community Infrastructure Levy would still be applied.

There was no definitive process for putting an LDO in place once preparatory work on the Order and public consultation had been carried out. However, many Councils had already resolved to adopt LDOs at Full Council meetings since the Orders were effectively Council policy. It was proposed that Taunton Deane should follow the same route following detailed consultations with Members and the public.

It would appear that LDOs were a tool which the Government would increasingly expect Local Planning Authorities to use, particularly in relation to brownfield opportunities. As such, the Executive had considered a proposal to use LDOs for some of the brownfield redevelopment sites currently identified in the adopted Taunton Town Centre Area Action Plan (TTCAAP) as well as an alternative to the single issue plan proposed for the Strategic Employment site.

As the TTCAAP was several years old there was a need to review the assumptions made regarding key sites. However, by preparing LDOs for such sites the Council could reduce the amount of work involved when compared to a review of the Plan, whilst at the same time accelerating the redevelopment of key sites.

In addition to those sites in the TTCAAP, The Deane House site was also considered to be a site suitable for an LDO should it become available for redevelopment. With the site being in a single ownership, this would make preparation of an Order simpler and would increase certainty of delivery.

The preparation of an LDO for the Strategic Employment site off Junction 25 would not only accelerate the process, but would also have the advantage of being a marketing tool for potential occupiers who would have greater certainty over the appropriateness of their use and a quicker and easier process for resolution. The LDO route would still enable the local communities to be involved through consultation and to influence the outcome as would be the case if this site were to be brought forward through the preparation of a development plan as had previously been envisaged.

It was proposed to use the Homes and Community Agency Procurement Framework to procure consultants to undertake further scoping associated with the preparation of LDO's. This would enable the in house resource to concentrate on a review of the Core Strategy, although there would clearly still be some work involved for the team who will need to client the projects, be involved in consultation and taking them through Council for adoption.

It is therefore proposed to allocate £100,000 of New Homes Bonus towards the cost of preparing a series of Orders.

The Chairman reported that he had received a letter from Stoke St Mary and Ruishton and Thornfalcon Parish Councils concerning the possibility of a LDO being introduced to bring forward the Strategic Employment adjacent to Junction 25 of the M5 Motorway. He read out the contents to the Members present.

During the discussion of this item, Members asked for further details of the process that would need to be followed towards the preparation of a LDO. The Assistant Director – Planning and Environment reported that the process was likely to be:-

- A decision to begin the preparation of a LDO for any particular site to be made by the appropriate Executive Councillor (This would be a Weekly Bulletin decision which would be subject to the Council's call in arrangements);
- Approval of draft LDO to be obtained from the Local Development Framework (LDF) Steering Group, Community Scrutiny Committee and the Executive prior to public consultation being undertaken;
- Once consultation had taken place and responses assessed, final sign off of LDO to be sought from the LDF Steering Group, Community Scrutiny Committee, the Executive and Full Council; and
- Sign off of proposals in compliance with an LDO (delegated to the Assistant Director - Planning and Environment).

Resolved that Full Council be recommended:-

- (a) To approve the preparation of a series of Local Development Orders for a number of town centre sites as an alternative to reviewing the Taunton Town Centre Area Action Plan and to seek specific authority to prepare Local Development Orders for the Strategic Employment site off Junction 25 and The Deane House site (should it become available for redevelopment);
- (b) It be agreed that £100,000 of New Homes Bonus be allocated to support the preparation of Local Development Orders; and
- (c) The Portfolio Holder for Planning Policy and Transportation be authorised to approve the programme for the preparation of further Orders for Taunton Town Centre sites. Such schemes would then be presented to Members for approval following consultation.

73. **Executive Forward Plan**

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

Resolved that the Forward Plan be noted.

(The meeting ended at 8.25 p.m.)

Usual Declarations of Interest by Councillors

Executive

- **Employee of the Department of Work and Pensions – Councillor Mrs Herbert.**
- **Councillor Beale declared personal interests as a Board Member and Director of Tone FM and as a Governor of the South West Ambulance NHS Trust.**
- **Councillor Edwards declared a personal interest as the Chairman of Governors of Queens College.**

Taunton Deane Borough Council

Executive – 4 February 2016

Somerset Waste Partnership Draft Business Plan 2016-2021

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

The report seeks approval for the Somerset Waste Partnership’s Draft Business Plan for 2016-2021 attached.

Whilst the business plan has a 5 year horizon Members are only requested to approve the plan for the financial year 2016/2017

The inflationary figure for TDBC is 0.1% which means only a minor increase in the contract price for 2016/2017. This lower than expected increase is primarily due to reducing operating costs negating the increasing household numbers.

2. Background

- 2.1 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 18 December 2015 and comments are requested by mid-February so that the Board can adopt the Plan and Budget.
- 2.2 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.
- 2.3 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.
- 2.4 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 savings requirements from individual partners.

- 2.5 Under the terms of the Inter Authority Agreement, the Board cannot make a decision that has an adverse financial implication on any partner. But the Board does have discretion on how any savings targets handed down can be implemented, provided all partners sign up through approval of this draft plan.

3 Purpose of the Business Plan

- 3.1 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.

- 3.2 The plan also sets out the draft Annual Budget for the Waste Partnership for 2016/17, which for TDBC represents only a minor increase of £2,081 against a budget of £3.3m.

4 Responsibility for the Business Plan

- 4.1 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.

5 Consultation

- 5.1 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.

- 5.2 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.

- 5.3 A separate paper will be brought to Members to consider a new collection model once the business case for change has been completed. Therefore the budget presented in the attachment, for 2016/17, takes account of the know position at this time and makes no assumptions on savings as a result of a new service model.

6 Key Actions for 2016–21

- 6.1 There key actions are identified within the Draft Action Plan which is contained within Appendix 1 the Draft Business Plan. Of these Members attention is drawn to the following which are large scale projects which may produce significant changes to service delivery, the level of recycled materials and therefore positive impacts on the contract costs:
- Alternative refuse treatment
 - Recycle More, new service model
- 6.2 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.

7 Finance Comments

- 7.1 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.
- 7.2 The Annual Budget, once finally approved, will become the new measure for the financial performance of the Waste Partnership for 2016/17. SWP will continue to share the costs among partners in the approved format.
- 7.3 The Annual Audit letter has been received and there are no actions outstanding and the conclusions are entirely positive.
- 7.4 The inflationary figure is lower than initially anticipated as a result of operating costs being lower, primarily as a result of shared management with other local authorities and the contractor and reducing fuel costs.

8 Legal Comments

- 8.1 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.

9 Links to Corporate Aims

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

10 Environmental Implications

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

11 Community Safety Implications

11.1 None in this report

12 Equalities Impact

12.1 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 2016.

13 Risk Management

13.1 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.

14 Partnership Implications

14.1 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.

15. Community Scrutiny Comments

15.1 A good debate was had at the scrutiny meeting of 5th January, there were a number of questions raised over the action plan activities and some specific concerns from Members on the charging for asbestos and plasterboard, and the introduction of permits for and vans and trailers.

15.2 Further questions were asked regarding the possible roll out of a new service model and how SWP could better accommodate the recycling needs of communal properties.

15.3 Overall the committee were very supportive of the work of SWP and supportive of the business plan.

16 Recommendations

16.1 This committee is recommended to

- i) Review and approve the Somerset Waste Partnership's Budget for 2016-2017.
- ii) Note the content for the business plan 2016 - 2021

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Officer Name Steve Read
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Background papers

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



SWP Business Plan 2016 – 2021

Table of Contents	
	Somerset Waste Partnership Business Plan 2016-2021
	Performance Table
	Draft Budget
	Appendix A - Action Table
	Appendix B – Risk Matrix
	Appendix C – New Service Model Considerations
	Appendix D – Asbestos and Plasterboard Charging Rationale
	Appendix E (Added 21/12/15) – Recycling Site Vehicle Permitting

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).

The 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 2015 to February 2016. 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 and Local Waste Policy

European Commission Adopts Revision to Circular Economy Package

The latest communication from the EU on the Circular Economy (December 2015) proposes, among other measures, a 65% recycling of municipal waste target for member states and limiting landfill to a maximum of 10% of residual waste by 2030. The proposals also cover national targets for recycling packaging waste. The proposals also include extending eco-design and increased national targets for recycling packaging waste.

SWB hopes that the outcome of the current work on alternatives to landfill will enable Somerset to achieve the latter at least 10 years ahead of this timeframe.

At a macro level it is assumed that the 65% municipal recycling target will drive national policy and maintain economic pressure to encourage alternative recycling. While the proposed Recycle More model should drive the Somerset rate to a higher level, achieving 65% at a local level without additional national policy and economic drivers will be challenging.

DCLG and Weekly Collections

DCLG no longer aspire to a return to weekly refuse collections, removing pressure to return to systems that would increase costs and reduce effectiveness of recycling services.

Community Recycling Sites

The option to provide Community Recycling Sites, supported by an entrance fee, previously available under the Local Government Act, has been withdrawn from Local Authorities and will be phased out by April 1st 2020.

The Waste (England and Wales) Regulations 2011

The Waste (England and Wales) Regulations 2011 require from 1 January 2015 that waste paper, metal, plastic and glass are collected separately from general waste subject to this being necessary to ensure the recovery of high quality recyclates, and; technically, environmentally and economically practicable to do so.

Courtauld 2025

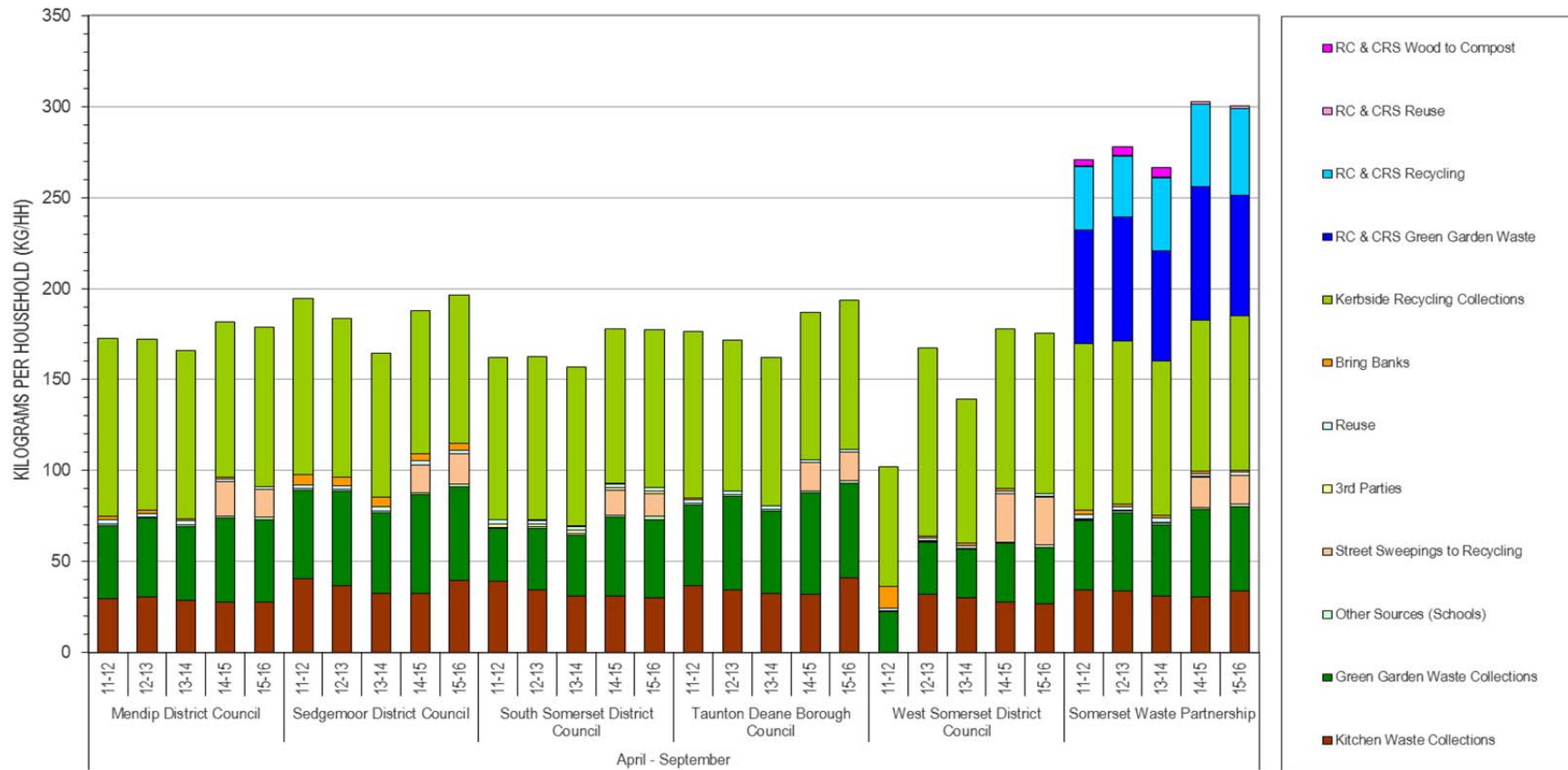
Somerset Waste Partnership supports the vision of Courtauld 2025 of “A world in which food and drink are produced and consumed sustainably.” and anticipates the launch of the programme, an “ambitious 10-year voluntary agreement that brings together a broad range of organisations involved in the food system to make food and drink production and consumption more sustainable.” Somerset Waste Partnership will seek to participate as a stakeholder, beginning with the launch of Courtauld 2025 by WRAP in March 2016.

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 should be conducted in 2019 – 2020.

5. Performance 2014/2015

**TOTAL HOUSEHOLD RECYCLING IN SOMERSET
KG/HH COMPARISON 2011-12 - 2015-16**



6. Key Aims and Priorities for 2016/17

For the period of this business plan we will continue the three priority areas established in the 2015 – 2020 Business Plan: -

<p>Alternative Refuse Treatment (Relates to actions in Section 1 of Action Table)</p>	<p>Negotiation, planning and implementation of changes resulting from decisions taken regarding future processing of residual waste.</p>
<p>New Service Model (Relates to actions in Section 2 of Action Table)</p>	<p>Negotiation, planning and implementation of changes resulting from decisions taken regarding the future model of kerbside collection services, considering: -</p> <ul style="list-style-type: none"> • Materials collected • Method of collection • Frequency of collection • Collection containers • Depot infrastructure • Reprocessing arrangements
<p>Addressing the Impact of Waste (Relates to actions in Section 3 of Action Table)</p>	<p>As last year there are also a large number of initiatives identified to address the financial, social and environmental impacts of waste. These will include waste minimisation campaigns and initiatives to improve and develop reuse options, SWP's ability to manage problem properties, recycling facilities in schools and flats, and safety in the delivery of services. SWP has a great record of securing external funding and will continue to follow up opportunities to assist with its objectives as they arise.</p>

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 when implementing the future service.

7. SWP Budget 2015/16

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 £50.00 for each wheeled bin subscription in 2016/17. 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 2016/17

Business Plan 2016- 2021							
Summary Annual Budget 2016/2017							
Rounded £000s	Total	SCC	MDC	SDC	SSDC	TDBC	WSDC
Expenditure							
Salaries & On-Costs	866	422	96	102	144	98	4
Other Head Office Costs	210	96	23	24	35	24	8
Support Services	141	61	16	17	24	17	6
Disposal - Landfill	11476	11476					
Disposal - HWRCs	9098	9098					
Disposal - Food waste	1311	1311					
Disposal - Hazardous waste	214	214					
Composting	1592	1592					
Kerbside Recycling	8667		1781	1786	2672	1733	695
Green Waste Collections	2325		459	590	639	537	100
Household Refuse	5866		1198	1197	1786	1208	477
Clinical Waste	113		23	25	34	23	8
Bulky Waste Collection	79		18	12	25	16	8
Container Maintenance & Delivery	178		35	37	54	43	9
Container Supply	421		93	86	129	93	20
Pension Costs	69		1	2	63	2	1
Depot Costs	176		36	38	53	37	12
Village Halls	6			6			
Transfer Station Avoided Costs	310	310					
Recycling Credits	2401	2401					
Capital Financing Costs	231		52	41	78	39	21
Total Direct Expenditure	45750	26981	3831	3963	5736	3870	1369
Income							
Sort It Plus Discounts	-80		-16	-17	-24	-17	-6
Transfer Station Avoided Costs	-310		-63	-67	-94	-64	-22
May Gurney Secondment Saving	-44	-20	-5	-5	-7	-5	-2
Recycling Credits	-2376		-492	-488	-735	-481	-180
Total Income	-2810	-20	-576	-577	-860	-567	-210
Total Net Expenditure	42940	26961	3255	3386	4876	3303	1159

Business Plan 2016- 2021						
Summary Annual Budgets						
Rounded £000s	2016/17	2017/18	2018/19	2019/20	2020/21	
Expenditure						
Salaries & On-Costs	866	875	883	892	901	
Other Head Office Costs	210	210	210	210	210	
Support Services	141	141	141	141	141	
Disposal - Landfill						
Disposal - Landfill	11476	11082	11458	11843	12241	
Disposal - HWRCs	9098	9289	9485	9685	9888	
Disposal - Food waste	1311	1335	1359	1383	1408	
Disposal - Hazardous waste	214	220	227	233	240	
Composting	1592	1640	1689	1740	1793	
Kerbside Recycling						
Kerbside Recycling	8667	8913	9166	9426	9693	
Green Waste Collections	2325	2391	2459	2529	2600	
Household Refuse	5866	6022	6192	6378	6549	
Clinical Waste	113	116	120	123	127	
Bulky Waste Collection	79	81	82	84	86	
Container Maintenance & Delivery	178	183	188	194	199	
Container Supply	421	433	446	458	471	
Pension Costs						
Pension Costs	69	70	70	71	72	
Depot Costs						
Depot Costs	176	176	176	176	176	
Village Halls						
Village Halls	6	6	6	6	6	
Transfer Station Avoided Costs						
Transfer Station Avoided Costs	310	319	329	339	349	
Recycling Credits						
Recycling Credits	2401	2473	2547	2623	2702	
Capital Financing Costs						
Capital Financing Costs	231	231	231	231	231	
Total Direct Expenditure	45750	46206	47464	48765	50083	
Income						
Sort It Plus Discounts	-80	-80	-80	-80	-80	
Transfer Station Avoided Costs	-310	-319	-329	-339	-349	
May Gurney Secondment Saving	-44	-44	-44	-44	-44	
Recycling Credits	-2376	-2448	-2521	-2597	-2675	
Total Income	-2810	-2891	-2974	-3060	-3148	
Total Net Expenditure	42940	43315	44490	45705	46935	

Assumptions

0% pay award for 2016/17, 1% annual pay award for years 2017/18 - 2020/21

0.98% housing growth in 2016/17, then 1% annually for years 2017/18 - 2020/21.

Collection contract inflation -0.63% in 2016/17, 2% annually for years 2017/18 - 2020/21

Disposal contract inflation 1.5% annually for all years (2016/17 - 2020/21)

Tonnage growth 1.5% annually for all years (2016/17 - 2020/21)

Appendix A

Business Plan Action Table

Task	Description	Outcome/Target (completion by March 2017 unless otherwise stated)	Lead officer	Resource - Implementation Budget	Resource - People (internal)	Comment/ Risk
1. Service Development Programme: Residual Waste Treatment			Steve Read			
1.1	Economically viable treatment option for residual waste.	Commencement of diversion of residual waste away from landfill.	David Oaten	Resource and budget to be confirmed separately. £72k budget assigned.	Likely to be significant, though dependent on final option agreed.	Budget from WDA contribution.
2. Service Development Programme: New Service Model			Steve Read			

Task	Description	Outcome/Target (completion by March 2016 unless otherwise stated)	Lead officer	Resource - Implementation Budget	Resource - People (internal)	Comment/ Risk
2.1	Implementation of service changes resulting from decisions taken following collection service review.	Partial implementation of new service model; detailed plan for implementation across Somerset	Steve Read	Up to £235k (in principle from current year vehicle sales and associated income).	Significant planning and implementation resource, to be specified separately.	Budget from WCA contribution.

3. Projects and Activities to Manage the Impact of Waste

Task	Description	Outcome/Target (completion by March 2016 unless otherwise stated)	Lead officer	Resource - Implementation Budget	Resource - People (internal)	Comment/Key Risk
3.1	Charging for deposit of Asbestos and Plasterboard at Somerset recycling sites designated to accept those materials.	From Monday 4th April we will charge residents to deposit plasterboard (£4 per sheet or part thereof) and asbestos (£12 per sheet or part thereof) at Recycling Centres in Somerset	David Oaten	Limited in year costs as publicity and signage will happen in Q4 2015/16 (approx. £5,000 for pre publicity and signage).		See accompanying Impact Assessment
3.2	Consider, plan and deliver agreed options to tackle unauthorised trade waste and waste from beyond Somerset being deposited at Somerset recycling sites.	Consider options for van/trailer permitting for Board consideration, with a view to possible implementation from October.	David Oaten	To be defined by separate proposal.		Impacts will be assessed at time of proposal.
3.3	Building on success of Priorswood reuse shop, develop a reuse shop at Chard Recycling Centre.	In the first quarter of the financial year we will construct a facility for selling reusable items at the Chard Recycling Centre	David Oaten	Subject to agreement - £30k infrastructure costs (recovered within 3 years), funded as Budget commentary	Officer oversight and management in Q1 2016/17	Opportunity to positively promote reuse in the Chard area. Risk that return will not be as speedy as

Draft (Approved by SWB for Partner Consultation 18th December 2015)

						estimated due to
3.4	Review of Contract Monitoring Processes.	By end of September 2016. In light of feedback from HSE to review and improve SWP contract monitoring procedures.	David Oaten	Staff time only	Officer review and administration.	Risk of liability if HSE recommendation are not reviewed and responded to.
3.5	Closed Landfill risk review	By end of December 2016 to report on potential savings to be made by reviewing the nature and frequency of closed landfill monitoring	David Oaten	Staff time only	Ten days officer time in Quarter 2/Quarter 3	Opportunity – identified cost reduction
3.6	Maintain COTC (Certificate of Technical Competence) capability	This Technical Competence Scheme is jointly delivered by CIWM and WAMITAB. It is an 'Approved Scheme' for demonstrating Technical Competence in relation to the Management of a Permitted Waste Facility. SWP will ensure that sufficient staff retain this qualification to ensure ability to effectively deliver commitments.	David Oaten	From head office training budget	Two officers Two days each, before Feb 2017	Risk of insufficient competence to deliver business requirements if not completed.
3.7	Restructure Minehead Recycling Centre	Alleviate local congestion and improve site performance by modernising and refreshing Minehead Recycling Centre	David Oaten	Capital Bid (between £50k and £200k if successful)	Management time for tendering and oversight.	Opportunity to reduce local congestion and improve the amenity and efficiency of the site.

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3.8	Assisted Collection Review	Contractual obligation to ensure we regularly update the list of householders in receipt of assisted collection services. To be carried out in stages throughout the year.	Colin Mercer	£9k for mailing costs and processing of replies.	Administration of mailing and responses to around 5000 properties to be absorbed within collection budget.	Risk of non compliance with contract if not completed.
3.9	Roll out enhanced recycling facilities at communal properties	TEEP obligation to add plastic bottles and cardboard to communal recycling stores in block of flats.	Colin Mercer	Financing of new trucks through Public Loan Board (up to £600k that Kier will pay back); Provision of additional bins and signage in communal bin stores.	Planning and implementing roll out. 20 days officer time in Quarter 1.	Risk of non compliance with regulatory requirements if not completed
3.10	Vehicle fleet refreshment programme	Somerset's collection fleet is reaching the end of its planned life. A programme of refreshing the fleet is required regardless of any other decisions. Scope of this activity will reflect decisions taken for item 2.1	Colin Mercer	Financing as 3.9. Likely to be c£10million requirement	10 days Collections Manager Time and 10 days Finance Officer time	Risk of failing fleet and inability to deliver services if fleet not refreshed.
3.11	Enforcement Partnering Implementation (subject to separate Board approval)	Implementation of enforcement procedures, subject to separate Board decision, by October 2016.	Colin Mercer	£2k admin and payment processing costs	10 days Collections Manager time in Quarter 2	Risk - Ongoing, entrenched issues with anti social behaviour will not be resolved if not implemented.
3.12	Collection Contract Review	Review collection contract to ensure schedules are effective for management of	Colin Mercer	None	10 days Collections Manager time in	Opportunity to ensure definitions and

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		the service.			Q3	guidance set out in the contract are relevant to the service as delivered.
3.13	Data Review	To review data inputs and outputs (both quantitative and qualitative) and ensure data is being used effectively and in line with industry best practice to guide business development and monitoring.	Mark Blaker	None	5 days Business Manager time in Q3	Opportunity to improve organisational efficiency.
3.14	Community Reuse Directory	To liaise with community groups engaged in reuse and scope whether there is a need to produce a directory	David Mansell	Budget will be drawn from existing budgets		
3.15	Develop work with community reuse organisations, especially in areas unlikely to have Reuse Shops.	Maintain network to explore options for joint-working on mutually beneficial projects and supporting funding applications as appropriate. Seek to improve reuse signage at recycling sites.	David Mansell	£3,000 for signage will be allocated subject to approval of separate business case. Additional budget will be drawn from existing budgets.		
3.16	Continue to work with community groups offering cloth nappy support.	Work with community groups to establish waste diversion impact of their activities.	David Mansell	£500 for support materials. Budget will be drawn from existing budgets		
3.17	Food Waste Champions	Maintain Somerset Food Champions scheme of volunteers; improve	David Mansell	£1,750 administration, support materials and volunteer expenses.		

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		coverage across the county. Hold two training sessions. Provide ongoing support and collate feedback on their activities and resource use.		Budget will be drawn from existing budgets		
3.18	Compost Champions	Support for Carymoor Environmental Trust to recruit, maintain and motivate Compost Champions.	David Mansell	Carymoor SLA funded from Viridor Community Sector Plan fund. £250 for promotional materials from existing budgets.		
3.19	Continue to work with community groups offering food waste reduction support	Continue and develop work with partner organisations and community groups, including housing associations, children centres, food banks and Public Health team to promote food waste reduction and recycling.	David Mansell	£500 drawn from existing budgets.		
3.20	Update Waste Strategy	Review of waste strategy elements on website and plan for full review of strategy in 2017/18	David Mansell	None required		

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3.21	Review effectiveness of on site promotion of fixed facilities (Recycling Site signage; Communal Recycling Point signage)	To develop a policy for fixed site signage by the end of Quarter 1; To commence phased implementation throughout the year.	Mark Blaker	£3,000 (from existing maintenance budgets)	Review of current provision; analysis of best practice; documentation – Business Manager – 15 days	
3.22	Develop Collection Day Reminder App	To procure a mobile App that will send collection day reminders to residents.	Mark Blaker	£6,000 (link to budget for 2.1)	Design of app and procurement of delivery; management of data processes. Business Manager – 5 days in Quarter 1.	Opportunity to reduce phone contacts and service complaints.
3.23	Conduct waste minimisation campaigns throughout the year based on proven case studies (including Recycle from your Bathroom)	Three clearly defined waste minimisation campaigns delivered in Somerset throughout the year.	Mark Blaker	From existing budget allocated for Comms/ Community engagement.	Press, Publicity and Promotions Office	Opportunity to raise awareness of waste minimisation options and thereby reduce costs..
3.24	Explore opportunities to mitigate future driver shortages in Somerset by partnering with contractors and local colleges on driver training programmes	Contact points identified and scoping discussions held	Mark Blaker	No additional resource requirements		Opportunity to mitigate risk of driver shortages impacting on SWP service.

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Appendix B

Risk Register (See attached)

Appendix C

New Service Model for Future Collections

As approved by the Board in June 2015, work has been undertaken to assess a range of future collection options and to investigate related issues.

As indicated in the recommendations accompanying this report, the Board is asked to confirm their preferred option for future collections, so that a more detailed further report, based on the preferred option, can be submitted in February or March 2016.

Background

Somerset's current fleet of recycling vehicles will start to need replacing from 2016/17, which gives an opportunity to consider new service options. Flexible arrangements have already been made to replace refuse vehicles so these can be adjusted to match.

More than half of the waste currently put out in refuse collections could be recycled through current services. When fortnightly refuse collections were previously introduced throughout Somerset, it was found that these encouraged greater use of recycling services, but more could still be done to divert materials from costly waste disposal.

There is a high level of public interest in recycling more materials, especially more plastics. A representative survey in towns across Somerset in November 2015 found that the most requested improvement to collection services was to recycle more plastics.

Progress to date

Trials were completed in Taunton Deane in 2014, which successfully tested the addition of plastic pots, tubs and trays, cartons, small electricals and batteries to recycling collections; as well as different collection frequencies, involving weekly or fortnightly recycling and fortnightly or three-weekly refuse.

The highest performance was achieved on trial rounds with weekly recycling and three-weekly refuse. Full results were reported in a report to the Board in June 2015.

There were some initial concerns among the 1,200 households in the area where the three-weekly refuse collections were tested, but, once started, most found they coped more easily than expected due to the extra materials collected for recycling.

At the end of the trial, all households were invited to complete a short survey. In the area with enhanced recycling and three-weekly refuse, 86% of respondents said they would prefer to continue with the extra recycling and three-weekly refuse, rather than go back to the previous arrangements (fortnightly refuse collections without the enhanced recycling).

Most households also said their refuse bin continued to be the right size. This was due to the extra materials recycled, which allowed the same volume of refuse or less to be collected every three weeks as was previously collected every fortnight.

Since the June 2015 report, work has been undertaken to check and gain information on:

- Markets for new materials and compliance issues for separate collection regulations.
- Lessons from other local authorities, including those who have already introduced three weekly refuse collections (Bury, Falkirk and Gwynedd with more following).
- Implications for health and safety and equalities.

Independent advisers, Eunomia, were appointed to assess costs and performance for a range of collection options, which covered:

- Continued kerbside sort collections, including with current and different options for collection containers and vehicle designs.
- Twin stream comingled collections using a wheeled bin for most dry materials and a box for glass.
- Single stream comingled collections with all dry materials in a wheeled bin.
- Continued fortnightly refuse collections as well as options for fortnightly recycling collections and for refuse collections every three or four weeks.

Initially, the impact of options have been modelled for the Taunton depot which serves Taunton Deane, a zone covering Chard and Ilminster in South Somerset and a small part of Sedgemoor.

Option modelled and key features of each are:

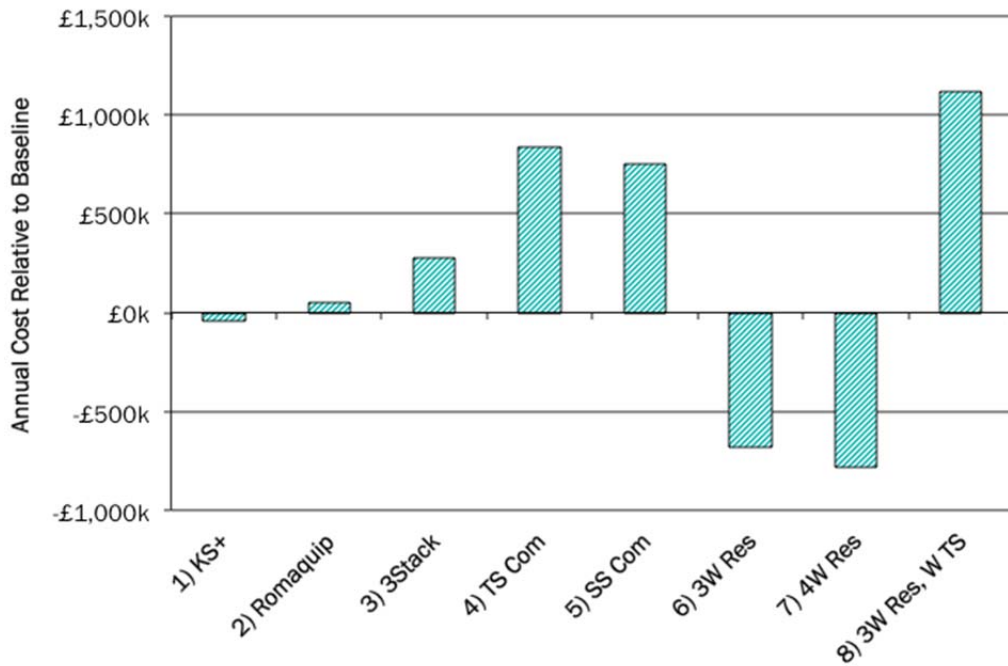
- 1) Current kerbside sort collections and modified vehicles with additional materials.
- 2) As 1) using Romaquip recycling collection vehicles.
- 3) As 2) using 3 Box Stack collection container system with trolley.
- 4) As 1) but with twin stream co-mingled fortnightly recycling collections using a wheeled bin and a box for glass with split-back compaction vehicles plus separate small tipping vehicles for food waste.
- 5) As 4) but with single stream co-mingled fortnightly recycling collections using a wheeled bin for all dry materials with compaction vehicles plus separate tippers for food waste.
- 6) As 1) but with 3-weekly refuse collections.
- 7) As 1) but with 4-weekly refuse collections.
- 8) As 4) but with weekly twin stream co-mingled recycling collections and 3-weekly refuse collections.

Of the above, options 7 and 8 were the highest performing according to the model. This echoes the results of the Taunton Deane trials. It is expected that option 6 would increase dry material recycling by 19-30% and food waste recycling by 8-15%. It is

believed option 7 would achieve slightly higher recycling levels, especially for food waste, although there is currently limited evidence available to confirm this.

The findings of the financial analysis undertaken by Eunomia is shown in the chart below.

Annual Costs of Collections Options Relative to Baseline of Current Collections for the Taunton Depot (Source: Eunomia)



The analysis confirms that Kerbside sort recycling collections had much lower costs than the comingled options. This is due to comingled collections needing to include a separate vehicle pass for food waste and to pay a gate fee for mixed materials to be sorted at a Materials Recovery Facility. Apart from plastics and cans, kerbside sort materials do not need further sorting and tend to be higher quality, so being more attractive to UK reprocessors and earning an income to partially offset collection costs.

Three and four weekly refuse services allowed a significant saving on collections and encouraged greater recycling, including for currently collected materials, so increasing material income and reducing refuse disposal costs.

Additional costs will be incurred during the roll-out of a new service model to cover communications and service support.

Final annual costs for a new service model will depend on the outcome of negotiations with Kier, with Eunomia's costs providing an indication of what may be achieved if costs can be as assumed for modelling and if all savings can be achieved.

Confirming a new service model for Somerset

Findings from work to date were reported to an informal meeting of Somerset Waste Board and members considered the pros and cons of the various options. Since the meeting officers have undertaken briefings at most of the partner councils to gauge reaction to the potential options. The option which has emerged as of greatest interest is option 6 (additional materials, including plastic pots tubs and trays, to be recycled,

continued food waste on a weekly basis, continuing to use the kerbside sort recycling method with refuse collected every three weeks).

It is expected that the new collections would increase dry material recycling by 19-30% and food waste recycling by 8-15%. This would allow savings to be achieved by all SWP partner authorities. Subject to members' consideration at the meeting it is proposed to proceed to a more detailed evaluation of this option prior to a decision being taken in early 2016.

If confirmed, it would be expected to:

- call the new service model *Recycle More*, adopting the scheme name successfully used for the trials.
- apply to most housing in Somerset but, initially at least, not blocks of flats with communal collections who will continue to receive the same frequency of collections.

Further Report and Finance Issues

Once the preferred new service model is confirmed, further work will be undertaken on this option to prepare full proposals for future collections in Somerset, which it is planned to report to the Board in February 2016.

If confirmed as the preferred new service model, Recycle More services (option 6) will allow recycling collections to be improved and savings to be achieved, both through increased diversion of waste from disposal to recycling and reduced refuse collection frequency. Disposal savings on dry materials benefit all partners. Somerset County Council, as the Waste Disposal Authority, saves on disposal costs from materials diverted to recycling and these savings are shared through Recycling Credits with Districts, as the Waste Collection Authorities. Districts will also benefit from lower contract costs due to increased recycling income and reduced refuse collection costs.

Negotiations have started with SWP's collection contractor, Kier, and a formal notice of change will be served on them based on the Board's preferred option. Kier will then be required to provide detailed costings, which will be benchmarked against Somerset-wide costings that will be provided by Eunomia, and saving allocations for all partners will also be prepared.

There is a risk that negotiations with Kier will not be concluded in time for a report to the Board in February 2016, which would result in the report being made in March 2016.

In addition to information on costs, savings and service methods for the preferred new service option, the further report to the Board will include:

- Key lessons from other local authorities and information on markets for new materials.
- Impact assessments for health and safety to staff and residents and for the provision of revised service arrangements to residents.
- Compliance statement for separate collection regulations.
- Service rules and communication and roll-out plans for the new service model.

As detailed in the draft budget for 2016/17, considered alongside this report, it is proposed that the new service roll-out would commence in 2016/17 using ring-fenced income as a pump priming fund (section 2 of the Budget Report also on this agenda). It is not anticipated there would be any financial impact on district council partners in the 2016/17 financial year.

The principles for sharing costs and savings associated with the Recycle More project are set out in paragraph 2.3 and appendix 1 of the Draft Budget for 2016/17.

Once the Board have considered the further report and agreed detailed arrangements for a new service model for future collections, they will need to be ratified by each partner.

Appendix D

Charging For Asbestos and Plasterboard at Somerset Recycling Sites

In order to achieve Medium Term Financial Plan target savings of £136,000, Somerset Waste Partnership proposes to introduce charges to deposit plasterboard and asbestos at the Recycling Centres where these materials are currently accepted. The number of Recycling Centres that accept these materials will not change under the proposal.

If introduced from 4th April 2016, this will result in estimated savings of £78,000 for asbestos disposal and £67,000 for plasterboard disposal in the county. These charges will align Somerset policy to that of Devon County Council and elsewhere. The approach is consistent with the definitions of waste for which charges can be made in the Controlled Waste (England and Wales) Regulations 2012. Charges for other types of DIY and demolition type waste have been in place in Somerset since April 2011.

The attached impact assessment recognises that this proposal carries a number of risks which are considered to be manageable. Reluctantly, allowance has been made in the savings projection for the cost of dealing with elevated levels of flytipping, although this will continue to be discouraged through education and enforcement.

Somerset County Council, through SWP, currently cover the arrangements for and cost of removing asbestos fly tips. This position will not change. Plasterboard is non-hazardous in terms of handling and fly tipped plasterboard would continue to be dealt with by the District Council partners. Any reasonable increase in cost of dealing with plasterboard fly tips by the district partners will be accommodated through the existing formula agreed with the County Council in 2011.

There is no clear alternative to achieving this level of MTFP saving in 2016/17 without reducing the number of Recycling Centre / Community Recycling Sites which would have a significant impact on services delivered to Somerset residents in the catchment areas affected.

Appendix E (Added 21st December 2015)

Van and Trailers – Recycling Centre Permitting

Somerset Waste Board is proposing to consider introduction of a permitting scheme for vans and restrictions for trailers using Somerset's sixteen Recycling Centres / Community Recycling Sites from 3rd October 2016.

The proposal is primarily aimed at reducing congestion at peak times and to avoid the cost of processing unauthorised commercial waste or waste from residents who pay council tax to neighbouring authorities that exclude such vehicles from their own sites.

If, following consideration by SWB, the Van and Trailer Permitting proposal is adopted, double axle trailers (including horse boxes) will not be permitted to use Somerset's recycling sites at all. Single axle trailers will not be permitted to use sites at peak times (Saturday mornings between 8am & 1pm or at any time on a Sunday).

Residents using their own commercial van type vehicle to take their household waste to site will need a permit to deposit their waste. The van permit will be valid for three years. Residents hiring a van will not need a permit, but will need proof that they are Somerset residents and the vehicle is in use on a temporary basis (e.g. hire agreement). Commercial users who pay to use facilities will not require a permit but may be restricted to off-peak periods.

Full details including a full financial and equalities evaluation will be brought to a future meeting of the SWB for detailed consideration and decision. Any changes will advertised at all centres and using local press / media starting at least three months prior to start.

Other local authorities have introduced full resident permit schemes for all site users. This will also be looked at by the SWB during 2016/17 but this is not in the scope of the current proposal.

Somerset Waste Partnership - Risk Register 2016 to 2017 (draft)
Primary Risks

Ref	Area	Risk	Effect	Raw Score			Mitigation planned	Mitigated Score			Future Actions	Target		
				Impact	Prob.	score		Impact	Prob.	score		Impact	Prob.	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	Med	Med		Keep members informed especially following changes to administration or portfolio holders.	Med	Med	
R5	Organisational	Inncorrect balance of operational and strategic support to Managing Director seconded out for c40% of time	Pressures on MD if insufficiently supported at a time of major service review.	Med	Med		Regular comms with link SMG member - Plan workload around highest priorities, reporting staff empowered to work effectively and efficiently under clear delegations	Med	Med		Review effectiveness of current set up by SMG link person and SMG	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 colleges 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 - Further pressure on local government at all levels	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 sub-optimal financial savings; increased difficulty of communicating service rules to householders across Somerset.	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. Build consensus through briefings etc	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 becomes prone to mechanical 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	Organisational	Changes in arrangements with administering authority support service suppliers results in lack of clarity about future of SWP systems support.	Internal systems (in particular CRM system) cease to be supported and fail	Med	Med		Liaise with SCC project management team and ensure SWP requirements are understood and noted so systems continue to be supported	Med	Lo		Explore alternative systems with improved support	Lo	Lo	

Taunton Deane Borough Council

Executive – 4 February 2016

Draft Corporate Strategy 2016-2020

This matter is the responsibility of Cllr John Williams, The Leader of the Council

Report Author: Paul Harding, Corporate Strategy and Performance Officer

1 Purpose of the Report

- 1.1 The purpose of the report is to invite comment and seek support for the adoption of the attached draft Corporate Strategy 2016-20 as it makes its way to full Council.
- 1.2 The Strategy has been developed with input from members and outlines our strategic direction for the next four years (from 1 April 2016), setting out our vision, priorities, values and principles. It will guide our planning and allocation of resources as we establish detailed corporate and operational plans each year.

2 Recommendations

- 2.1 That the Executive recommends the adoption of the draft Corporate Strategy to full Council; with or without amendment.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails to articulate its priorities leading to missed opportunities and a mismatch between resources and required outcomes.	Possible (4)	Major (4)	High (16)
<i>The mitigation is an agreed Corporate Strategy, supported by Corporate, service and individual plans.</i>	Rare (1)	Major (4)	Low (4)

4 Background and Full details of the Report

- 4.1 The draft Corporate Strategy 2016-2020 is attached at Appendix A.
- 4.2 This revised Strategy provides a clear direction for the organisation to follow; with four key priority areas where the Council will concentrate its efforts and resources between April 2016 and March 2020.

4.3 The key elements of the Strategy are:-

- refreshed high-level Corporate Priorities for the Council,
- design principles for our organisation,
- refreshed vision and
- clarity on the role and purpose of the Council.

4.4 This Strategy will lead to a more resourceful and responsive organisation that delivers outcomes to our communities in the most efficient and effective way and continues to play a key role in shaping Taunton Deane.

4.5 The Corporate Strategy is not intended to capture everything that the Council does nor does it include the detail of our work and projects. That is the role of the Corporate, Operational and Individual Plans which will flow from the Corporate Strategy.

4.6 The Corporate Strategy is the key part of the 'Golden Thread' which sets corporate objectives from which key actions flow.

4.7 The illustration below shows the 'Golden Thread' and where the Corporate Strategy fits within this:



4.8 **Development of the Strategy**

- 4.9 The Strategy is the product of a series of member workshops which took place over the summer, which were organised along broad geographical lines, based upon electoral wards. Approximately 70% of TDBC members attended these workshops.
- 4.10 These workshops were informal events which sought to identify and capture:
- priority ward issues;
 - priority district-wide issues (irrespective of which public body currently has responsibility for these issues);
 - the role and purpose of the Councils;
 - the vision for the authorities.
- 4.11 On 7 September a ‘wash-up’ session was held. The purpose of the session was to feed back to Members the messages which officers thought they had heard in the workshops, to check their understanding was correct and to provide a further opportunity for Members to shape this area of work.
- 4.12 Following the wash-up session refinements were made to the emerging messages. These were shared with all Members.
- 4.13 Using the refined output, following the ‘wash-up’ sessions, an initial draft of the Corporate Strategy was prepared. This was shared with the Executive, JMT and Tier 4 managers.
- 4.14 Since then the document has been enhanced (largely presentationally), although the key messages remain unchanged.
- 4.15 A draft was provided to JPAG at their meeting of 14 December 2015.

5 Links to Corporate Aims / Priorities

- 5.1 The Strategy outlines our strategic direction for the next four years, setting out our vision, priorities, values and principles. It will guide our planning and allocation of resources as we establish detailed corporate and operational plans each year.

6 Finance / Resource Implications

- 6.1 The Strategy contains *Key Theme 3 – Our Place* which, among other aims, seeks to ensure our high streets are clean and attractive places to visit and also to ensure our environment remains attractive through increased street cleaning and grass cutting

7 Legal Implications

- 7.1 It is not a legal requirement to produce a Corporate Strategy; however, it is an essential business management tool and will provide a clear framework for officers and members to work within.

8 Environmental Impact Implications

- 8.1 A key risk is that the Council fails to articulate its priorities leading to missed opportunities and a mismatch between resources and required outcomes. This is mitigated by an agreed Corporate Strategy, supported by corporate, service and individual plans as well as a robust system of performance management and transparency.

9 Safeguarding and/or Community Safety Implications

- 9.1 The design principles within the Strategy make clear that wherever possible, we should work with partners in our locality to collectively commission locally important services using our combined resources and avoiding duplication.

10 Equality and Diversity Implications

- 10.1 The Council commitment to equalities and diversity is reflected in the Council's Core Values and Principles which are set out within page 4 of the Strategy.

11 Social Value Implications

- 11.1 There are no direct social value implications although future procurement and commissioning of services as part of making the Council a more modern and efficient organisation will build in additional social value where appropriate.

12 Partnership Implications

- 12.1 The design principles within the Strategy make clear that wherever possible, we should work with partners in our locality to collectively commission locally important services using our combined resources and avoiding duplication.

13 Health and Wellbeing Implications

- 13.1 The draft Strategy includes the particular aim of working with others to support the wellbeing of an older population. Additionally, to support thriving and resilient communities through the creation of greater employment opportunities as well as the increased supply of a range of additional housing types.

14 Asset Management Implications

- 14.1 The draft Strategy makes reference to the specific aim to make better use of our land and property assets; transferring or selling where it makes sense to do so – being more commercial.

15 Consultation Implications

- 15.1 As described in part 4.9 of this report all Members were invited to contribute to the creation of this Strategy.

15.2 At the request of JPAG, an external online consultation exercise was undertaken from 4 January 2016. This was promoted via the Council's website, messages to the Council's Twitter and Facebook social media followers and direct emails to a number of representatives of faith groups, charity & voluntary sector organisations as well as the business community.

15.3 At the point of drafting this report (22 January 2016) there had been a limited response which is not statistically robust as the basis to draw any real conclusions. However, there were some comments and observations made which are shown below for consideration.

- *what is the point of electronic parking signs with all the money spent on park and ride with money better spent resurfacing and remarking all the parking areas in town as they are appalling layouts way marking is part of county's remit who are understaffed to cope with the new legal definitions due in near future more grass cutting is not required allowing the verges to grow reduces speed and encourages wildlife, reducing the floral displays would be better.*
- *Recycling small business office waste similar to household would make small businesses less begrudging of business rates and would be a an enterprising initiative*
- *One point of contact is great if they are clever enough to be responsive to each situation rather than standard customer service responses so only commit to it if it can be guaranteed*
- *Whilst car parking is an issue that regularly comes up and electronic signage may help, the environment and offer within the town centre is probably of more importance. Even with electronic signage people will head for their 'favourite' car park - hence a half mile queue in the centre of Bath over the Christmas period! It just seems an expensive way forward especially when the car parks need so much work.*
- *No mention of devolution within Key Theme 4.*

15.4 The Strategy was also shared with members of the Tenant Services Management Board at their meeting held on 25 January 2016. No amendments were recommended.

16 Scrutiny Comments / Recommendation(s)

16.1 The draft Strategy was consider by the Corporate Scrutiny Committee at their meeting held on 21 January 2016.

16.2 The committee recommended adoption of the Strategy although made a number of comments and observations for the Executive to consider.

- 16.3 A suggestion was made that on page 3 of the Strategy - '*Our Role and Purpose*' - an additional role should be included which says '*Nuturing and promoting the vital work carried out by the voluntary sector*'.
- 16.4 On page 4 of the Strategy there was a suggestion that 'Accountability' should feature within our core values and behaviours.
- 16.5 On Page 6 – Key Theme 1 – within bullet 'c', there was a suggestion that the words 'and vulnerable' should be added after the word '*older*'.
- 16.6 Again on page 6, there was a suggestion that *Young People* should be referenced.
- 16.7 There was a suggestion that paragraph d) on page 7 be expanded to include reference to towns other than Taunton; Wiveliscombe and Wellington in particular.
- 16.8 Turning to page 8, it was recommended that reference to *Wellington Railway Station* within paragraph a) be removed.
- 16.9 Further on page 8, there were suggestions that there should be reference to the wider environment and environmental sustainability. To partly address this there was a further suggestion to revise the wording of paragraph e) so that it reads '*Ensuring our environment remains attractive, in particular increased street cleaning and grass cutting*'.
- 16.10 A point was raised in relation to the description used for Key Theme 4 on page 9 as to what was a '*modern council*' and whether this term was needed or relevant.
- 16.11 Staying with page 9, there was a suggestion that reference be made within paragraph b) to '*reinvesting and getting a better return on our assets*'.
- 16.12 A typographical error was noticed within paragraph d) on page 9 – an orphan '*to*'.

Democratic Path:

- **Scrutiny Yes**
- **Executive – Yes**
- **Full Council – Yes**

Reporting Frequency : Once only

List of Appendices (delete if not applicable)

Appendix A	Draft Corporate Strategy
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Contact Officers

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Taunton Deane Borough Council
Corporate Strategy 2016 - 20

People



Business & Enterprise



Our Place



An Efficient & Modern Council

“Working with our communities to keep Taunton Deane a great place in which to live, work, learn and enjoy”

Introduction



Cllr. John Williams
Leader of the
Council

Welcome to Taunton Deane Borough Council's Corporate Strategy for 2016-20.

The Strategy outlines our strategic direction for the next four years, setting out our vision, priorities, values and principles. It will guide our planning and allocation of resources as we establish detailed corporate and operational plans each year.

We are committed to putting this Strategy into action and making a difference for local people and business.



Penny James
Chief Executive

We know that the next four years will continue to be challenging, but our level of ambition has remained undiminished. We recognise we will have to fundamentally transform the way we think and the way services are delivered to respond successfully to these challenges.

However, we are in a good position to make sure the Council is fit for the future and can continue to play a major role in delivering economic growth and prosperity for our communities, ensure outcomes important to our communities are delivered and to fight for the best interests of Taunton Deane at a regional and national level.

We will build upon our good relationships with partners to make sure public money continues to be spent well and to deliver projects that improve the quality of life of our residents.

Our ambition is to make Taunton Deane an even better place in which to live, work, learn and enjoy.

**“Working with our communities to keep Taunton Deane
a great place in which to live, work, learn and enjoy”**

The Purpose of this Strategy

This Strategy provides a clear direction for the organisation to follow; with four key priority areas where the Council will concentrate its efforts and resources between April 2016 and March 2020.

Our activities will be based on a clear set of values and principles and are dependent upon working together – residents, partners, business, voluntary sector, our colleagues across the public sector and all levels of politicians and public servants in Taunton, the County of Somerset and London.

This Strategy will lead to a more resourceful and responsive organisation that delivers outcomes to our communities in the most efficient and effective way and continues to play a key role in shaping Taunton Deane.

This Strategy will provide direction for our Corporate Plan. The Corporate Plan will describe the actions we will take each year in order to achieve our aspirations and sets out how we will monitor and measure our progress.

The Plan will be refreshed annually to take account of any local or national changes.

The Corporate Plan in turn will influence team plans as well as individual plans to ensure very service and every person within the organisation is pulling in the same direction and understand the role they play in achieving the priority outcomes for our communities.



Our Role and Purpose

The Council exists to to serve and represent the interests of its citizens and communities and to ensure the provision of the best possible services for its residents.

The Council has various roles to play in order to achieve positive outcomes for our communities:

a Enabling -

for example, working with others such as developers and housing associations to increase the supply of affordable homes within the district;

b Championing / Lobbying –

speaking up for Taunton Deane at County, regional and national level;

c Public Safety –

protecting the public through our statutory roles in relation to health & Safety, dangerous structures, noise nuisance, food safety, air and water quality;

d Supporting –

our communities and in particular keeping rural communities alive;

e Promoting –

Taunton Deane as great place in which to live and work as well as to visit;

f Challenging –

the performance and plans of other public service providers (e.g. Police, County Council, NHS);

g Taking Strategic View –

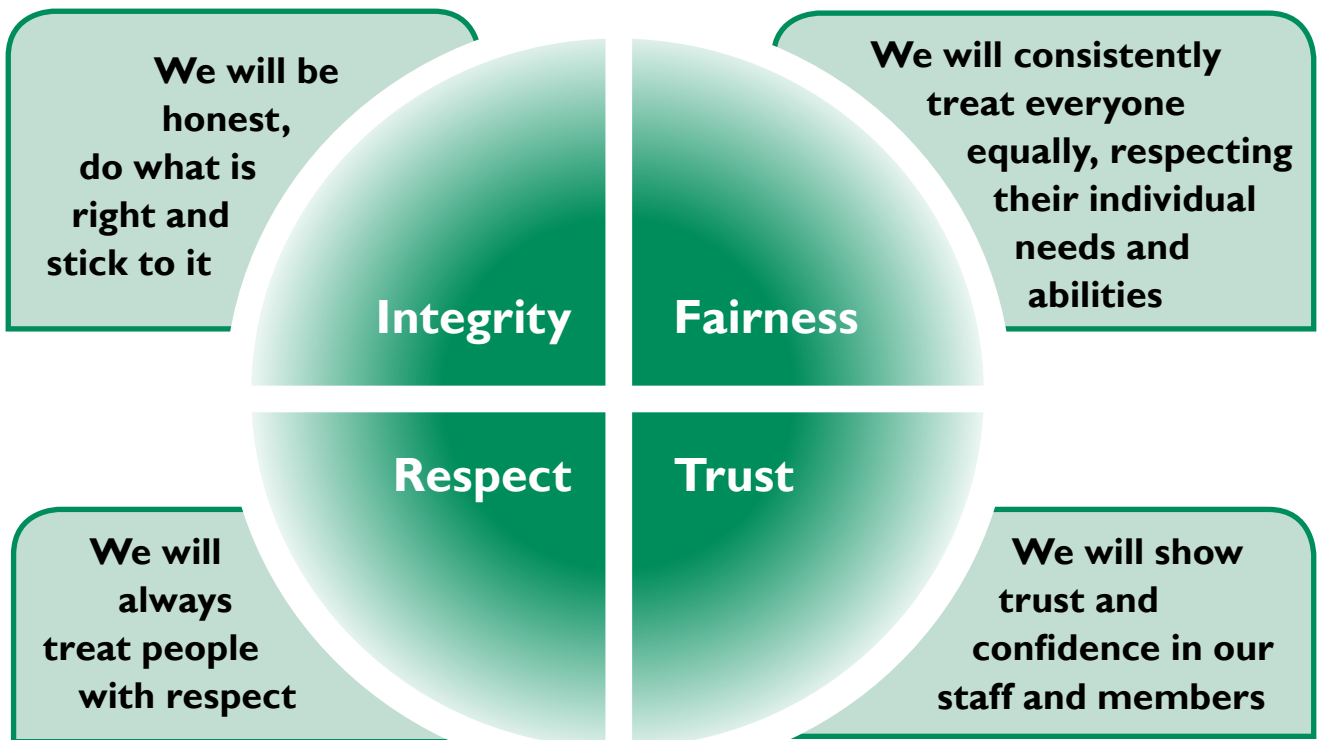
taking a district wide view of the needs of all of the communities within Taunton Deane and designing service provision around this.

“Working with our communities to keep Taunton Deane a great place in which to live, work, learn and enjoy”

Our Core Values and Principles

At the heart of this strategy is a set of core values and principles that express the beliefs of the Council and will underpin the actions of the Council over the next four years.

Our values inform our behaviours



Our Design Principles

Our principles inform our decision making

The following key principles will guide our approach to service delivery and the structure of the Council over the next four years:

- a Taunton Deane will remain as a separate democratic Council;
- b The Council's role will be to help deliver outcomes and will use a wide range of service delivery options and providers to achieve this;
- c The Council will embrace the principles of a Social Enterprise - acting commercially to deliver surplus to reinvest in the delivery of our priority outcomes and services;
- d We will solely focus on agreed priority outcomes and be customer centric/focused;

Our Design Principles - continued

- e We will minimise governance (internal bureaucracy /'red tape') whilst protecting the principles of transparency, probity, good leadership and management;
- f Our customer access arrangements will maximise self-service;
- g We will provide a transparent, open and accessible performance management system that enables effective and timely information to members, staff and customers
- h All services should offer value for money and be business-like in their approach;
- i Wherever possible, we should work with partners in our locality to collectively commission locally important services using our combined resources and avoiding duplication;
- j Councillors should be supported to be active advocates, champions and lobbyists to challenge partners on issues that affect their wards or wider areas;
- k We will develop an organisation where work is an activity and not a place. The Council will go to the community rather than require the customer to physically come to it;
- l We will recruit, retrain, redeploy, and reward our people to ensure we have the right skills, attitudes and behaviours needed to deliver our ambitions;
- m We will deliver a 'case management' approach to dealing with customers that see's one point of contact take responsibility for customer's issues to the point of resolution. This negates the need for the customer to know how the system operates, which tier of government is responsible and who does what within the Council;
- n We will provide a growth and development function that delivers growth, inward investment and economic, social and cultural prosperity. The function must return a net increase in resources to the Council;
- o We will provide a mechanism, in the absence of a 3rd tier of local government in the Taunton urban area, to have conversations and take decisions on locality issues;
- p We will provide a Housing function that delivers value for money, customer focussed services to our tenants and others living on our estates;
- q We will provide an ability to trade and specifically to deliver housing outside of the Housing Revenue Account and maximise the return on our own assets and investments the Councils seek to make.

“Working with our communities to keep Taunton Deane a great place in which to live, work, learn and enjoy”

Key Theme 1

People

Why is this important?

Taunton Deane is growing and has an increasingly older population. These changes require greater housing and employment provision as well as services which support the needs of an older population.



The key issues we aim to influence and improve:

- a Facilitate an increase in the availability of affordable homes and Council homes for local people – to both buy and to rent;

- b Work with partners in both the private and public sector to develop a range of additional housing types suitable in particular for single person households, young people in rural communities and elderly people;

- c Work with others to support the wellbeing of an older population;

- d Facilitate the creation a broad range of high quality employment opportunities that recognises the different needs of rural and town communities in order to provide local people with more rewarding futures.

Key Theme 2

Business & Enterprise

Why is this important?

An increasing local working-age population and the desire to keep our town centres vibrant means that sustaining our local economy must be central to the Council's priorities and planning.



The key issues we aim to influence and improve:

- a Encourage inward investment and the promotion of the district as a place in which to visit and do business;

- b Further develop the offering of the Deane in terms of social, leisure and culture in order to make the area an even more attractive proposition for investment;

- c Ensure the Council is perceived as being 'business friendly', ensuring rules are applied appropriately and are not excessive;

- d Promote the Taunton town centre and the existing 'gems' such as the Museum of Somerset and Castle Green;

- e Identify suitable affordable employment sites, particularly in rural areas;

- f Push for the rollout of fibre broadband and better mobile phone signal coverage across the Deane;

- g Continue to work with partners to remove barriers to jobs and housing growth by addressing infrastructure constraints and securing funding for that infrastructure.

- h Support business start-ups and expansion within the Deane.

“Working with our communities to keep Taunton Deane a great place in which to live, work, learn and enjoy”

Key Theme 3

Our Place

Why is this important?

We want to keep Taunton Deane a place to be proud of and one which is well-maintained, welcoming to residents, visitors and businesses and is easy to get around.



The key issues we aim to influence and improve:

-
- a Work with, lobby and influence others to further improve the Deane's transport links including additional cycle paths, measures that tackle congestion as well as a new railway station for Wellington.

 - b Improve wayfinding within the Deane through improved signage and Support improved signage at the entry points from the motorway into the Deane which promotes the area as a place to visit;

 - c Make finding a car parking space in Taunton quicker and easier through the provision of electronic parking signs;

 - d Ensure our high streets are clean and attractive places to visit;

 - e Ensuring our environment remains attractive through increased street cleaning and grass cutting;

 - f Work with partners and the community to tackle speeding in the Deane;

 - g Work with others to introduce measures that reduce the risk of flooding within our communities.
-

Key Theme 4

An Efficient & Modern Council

Why is this important?

Like all Councils, we continue to be challenged by significant budget cuts and pressure on services. We need to continue to collaborate with a range of organisations to deliver and enable outcomes that are important to our communities and find new ways of working that ensure we continue to get the best possible value out of the funds available to us.



The key issues we aim to influence and improve:

- a Review how services are delivered, by whom and to what standard in order to best allocate our resources;

- b Make better use of our land and property assets; transferring or selling assets where it makes sense to do so – being more commercial;

- c Support members to undertake their roles within their communities through improved access to information;

- d Improve access to service information and the ability to for customers and members to self-serve through delivering an improved Council website.

“Working with our communities to keep Taunton Deane a great place in which to live, work, learn and enjoy”

For more information contact

Corporate Strategy & Performance Manager
Taunton Deane Borough Council
The Deane House
Belvedere Road
Taunton TAI IHE

Email: enquiries@tauntondeane.gov.uk



English

If you would like this document translated into other languages or in Braille, large print, audio tape, or CD please telephone us on 01823 356356 or e-mail us at enquiries@tauntondeane.gov.uk

Bengali

অপনি যদি এই দলিলপত্র অন্য কোন ভাষায় অনুবাদ করে চান, বা ব্রেল, বড়ো ছাপার অক্ষর, অডিও-টেপ বা সিডিতে চান, তাহলে আমাদের টেলিফোন করুন এই নম্বরে 01823 356356 বা অথবা ই-মেল করুন enquiries@tauntondeane.gov.uk

Chinese

如果你要這文件翻譯成其他語言或盲人凸字,大號字,聲帶,或光碟,請致電我們,電話 01823 356356
或電郵 enquiries@tauntondeane.gov.uk

Hindi

अगर आप इस दस्तावेज़ का अनुवाद दूसरी भाषाओं या ब्रेल, बड़े अक्षरों वाली छपाई, ऑडियो टेप, या सीडी में चाहते हैं, तो कृपया हमें इस नंबर पर फ़ोन कीजिये 01823 356356 या यहाँ ईमेल कीजिये enquiries@tauntondeane.gov.uk

Portuguese

Se desejar a tradução deste documento para um outro idioma ou em Braille, letras grandes, cassete de áudio ou CD, contacte-nos pelo telefone 01823 356356 ou pelo endereço de correio electrónico enquiries@tauntondeane.gov.uk

Polish

W celu uzyskania niniejszego dokumentu w innym języku, w języku Braille'a, wydrukowanego dużym drukiem, nagranych na taśmę dźwiękową lub CD prosimy o kontakt pod numerem telefonu 01823 356356 lub na adres enquiries@tauntondeane.gov.uk

Taunton Deane Borough Council

Executive – 4 February 2016

Earmarked Reserves Review

Report of the Deputy Section 151 Officer

(This matter is the responsibility of Executive Councillor Williams, Leader of the Council)

1. Summary

- | | |
|-----|--|
| 1.1 | The Earmarked Reserves have been reviewed to ensure that they are still required. |
| 1.2 | £92k of earmarked reserves are no longer required to be held and it is recommended that these are transferred to the General Fund Reserve. |

2. Background

- 2.1 As at 31 March, the total General Fund Earmarked Revenue Reserves was £11.686m. This is equivalent to 88.6% of the Council's Net Revenue Budget of £13.193m (2015/16). During the year transfers have taken place increasing this balance to £12.078m.
- 2.2 A fundamental review has been undertaken of all General Fund Revenue Earmarked Reserves, with a view to all balances being returned to the General Fund unless:
- A clear commitment/obligation exists to spend the money within a defined time period
 - It is a "trading" reserve – which exists purely to support the requirement for certain trading services to break-even over a 3 year period.

3. Earmarked Reserves Review 2015/16

- 3.1 To identify which General Fund Earmarked Reserves balances could be returned to the General Fund Reserve, each Reserve holder was contacted and asked to provide evidence of how the Reserve balance was planned to be used.
- 3.2 These discussions identified that, of the balance held currently (£11.944m), all but £92k of the General Fund Earmarked Reserves is committed or has conditions upon it.

3.3 The £11.852m committed balance includes the following large balances and a full list of balances is included in Appendix A to this report:

- £101k – Asset Management – Tone Leisure; this is ring fenced and must remain as it forms part of a legal funding agreement. The money is ring fenced for the asset management of our nine leisure sites.
- £340k – DLO Vehicle Replacement Reserve.
- £178k – Housing Enabling, committed to schemes to provide affordable housing across the borough.
- £500k – Self Insurance Fund; an ongoing need
- £1.780m – Share of NNDR Surplus/Deficit (Provision); a reserve required by the change in legislation in respect of Business Rates/Appeals. Will be used to fund the 14/15 deficit.
- £4.712m – New Homes Bonus; will be used to fund various projects.
- £214k – Growth and Regeneration; required to fund Taunton Growth Programme.
- £149k – Homelessness Grant used for preventative partnership initiative work.
- £249k – Asset Management; to fund maintenance and property costs.
- £898k – JMASS, earmarked for transformation.
- £216k – Customer Access and Accommodation project.
- £165k – Specialised legal planning advice.
- £102k – Planning Delivery Grant; from Central Government to support growth.
- £176k – Local Plan Enquiry; required to fund preparation of statutory plans for site allocation and project management.
- £516k – Monkton Heathfield, ring fenced for consultancy work including legal advice on delivery issues and master planning.

3.4 It has been agreed with Reserve holders that £92k will be returned to General Reserves immediately following Council's approval. This figure includes the following reserves:

- £4k – Bursary Account, not been used for some time, previously requested from Somerset College, always understood to have a finite lifespan.
- £50k – Stable Pensions Payroll Reserve; this pressure to cover the changes in the pension fund deficit repayment is now picked up through the MTFP and factored into our base budget.
- £38k - Community Right to Challenge. This is not considered to be required as it has not been called upon since it was established. If there was a future claim it would need to be settled from General Reserves.

4. Corporate Scrutiny Committee Comments

4.1 Corporate Scrutiny requested full details of the reserves. It was agreed with the Committee that this detail would be included in the Executive

Report and will also be circulated to Scrutiny Committee Members. See Appendix A.

- 4.2 Corporate Scrutiny also discussed an alternative use of the Community Rights to Challenge Reserve with particular consideration of funding voluntary and community sector grants. Committee resolved to support the recommendation in the EMR report and request the Executive considers the voluntary and community sector grants through its Revenue Budget proposals. (See separate report)

5. Finance Comments

- 5.1 Earmarked reserves should only be held where there is a clear purpose and commitment to use the funds within a planned timeframe. The Council is facing potentially significant transformation costs, and it is therefore prudent to release surplus earmarked balances to general balances, and provide greater funding flexibility in the short term. A full review is completed annually and hence the balances available to be returned to General Reserves are again quite low.

6. Legal Comments

- 6.1 The legal implications have been considered and there are not expected to be any specific implications relating to this report.

7. Links to Corporate Aims

- 7.1 Achieving financial sustainability: Looking at new ways of balancing the budget to address our financial challenges.

8. Environmental and Community Safety Implications

- 8.1 The environmental and community safety implications have been considered and there are not expected to be any specific implications relating to this report.

9. Equalities Impact

- 9.1 Equalities impact have been considered in respect of this report and no specific impacts have been identified.

10. Risk Management

- 10.1 Risk management implications have been considered and there are not expected to be any specific implications relating to this report.

11. Partnership Implications

- 11.1 The partnership implications have been considered and there are not expected to be any specific implications relating to this report.

12. Recommendations

- 12.1 The Executive is requested to approve a recommendation to Full Council for a budget return of £92k to General Fund Reserves of surplus balances currently held in Earmarked Reserves.

Contact: Jo Nacey
Senior Accountant and Deputy s151 Officer
of Taunton Deane Borough Council and West Somerset Council
Tel: 01823 358678
Email: j.nacey@tauntondeane.gov.uk

General Fund Earmarked Reserves for Revenue Purposes	Committed Expenditure £	Available to be Returned £	Purpose of Reserve
Climate Change	116,076.00	0.00	For solar PV cells for the new swimming pool and other service other PV schemes
Asset Management - Tone Leisure	100,667.96	0.00	This is ring fenced and must remain as it forms part of a legal funding agreement
Brewhouse ext Refurb	60,830.00	0.00	A part of our agreement to implement external works
Building Control Trading Balance	(22,460.00)	0.00	An ongoing reserve to capture the trading unit's surplus/deficits
Bursary Account General Provisions	0.00	4,229.34	Bursaries awarded to Art Students at Somerset College
CEO Initiatives	92,000.91	0.00	To allow the Head of Paid Services to fund strategic corporate costs on a timely basis
Cordwest Invest. Bequest Accounts	190.06	0.00	Only the income from this bequest can be used which is negligible
Cordwest Revenue Bequest Accounts	164.00	0.00	Only the income from this bequest can be used which is negligible
Corporate Training	116,685.12	0.00	Various training requirements across the council
DLO Trading Account Reserve	291,744.32	0.00	An ongoing reserve to capture the trading unit's surplus/deficits
DLO Vehicle Replacement Reserve GF	340,540.00	0.00	Used for the replacement programme
FE Colthurst Revenue Bequest Accounts	390.74	0.00	Only the income from this bequest can be used which is negligible
FE Colthurst Trust Bequest Accounts	710.07	0.00	Only the income from this bequest can be used which is negligible
Healthy Workplace	6,429.33	0.00	To support health issues of the workforce
Housing Enabling	177,835.50	0.00	Committed to schemes to provide affordable housing across the borough
Self Insurance Fund	500,000.00	0.00	Used for excess payments for any claims made by the Council
Local Plan Enquiry General Provisions (LDF)	176,045.38	0.00	Required to fund preparation of statutory plans for site allocation and project management.
Planning Delivery Grant - Revenue (HPDG)	102,474.91	0.00	From Central Government to support growth
Strategic Director SA	52,740.00	0.00	To fund issues that support the work of the s151 Officer to achieve safe financial outcomes
Travel Plan	68,403.80	0.00	Staff travel initiatives
Works of Art and Public Arts Project	15,000.00	0.00	TDBC art collection care and management by SCC
Asset Management - General Services Non-	249,161.51	0.00	To fund maintenance and property costs
Housing Loans to Private Sector Mortgagees	10,378.00	0.00	Costs of repossessions etc
Business Rates Smoothing Reserve	1,860,503.00	0.00	Share of NNDR Surplus/Deficit (Provision); a reserve required by the change in legislation
Youth Homelessness Fund	3,936.40	0.00	To fund initiatives
Corporate Services Clienting Reserve	125,334.00	0.00	To fund external legal & commercial advice in relation to the SWO contract.
Eco Towns Projects Funding	141,922.15	0.00	Grant from Central Government to spend on Eco Developments
New Homes Bonus	4,495,660.00	0.00	To support the Corporate priorities for growth
CLG Preventing Repossessions Fund	25,632.23	0.00	Gov grant to prevent people becoming homeless
Housing Benefit Grant	1,575.10	0.00	This includes assistance with service charge arrears and tenancy sustainment
Strategy	926.00	0.00	Income received from the Private Sector Housing Partnership for GIS mapping resource
Growth & Regeneration Service Costs	213,636.60	0.00	Required to fund Taunton Growth Programme
Stable Payroll Pensions Reserve		50,000.00	Previously earmarked to cover changes in the Pension Fund deficit repayments (now built into budget)
Food Inspections	72,693.15	0.00	To provide resource cover
Youth Fund Youth Project	1,955.00	0.00	To support youth projects via Tone Leisure
Community Rights to Challenge		38,367.00	Originally intended to fund responses to challenges by parishes and town councils
Homelessness Grant	148,765.88	0.00	Used for preventative partnership initiative work
Waste Earmarked Reserve	50,000.00	0.00	To cover additional costs eg Bins
Debt Recovery	60,820.00	0.00	Staff and court costs associated with Debt recovery
Legal Civica Hosting Costs	12,000.00	0.00	Cost of hosting the Civica system
Neighbourhood Planning Grant	76,066.11	0.00	To cover adhoc planning costs
Designated Public Spaces Order	5,000.00	0.00	To cover change of legislation
JM & SS Project	898,110.00	0.00	For transformation
Asset Strategy	78,738.61	0.00	To facilitate the asset mgt strategy via the adhoc use of additional resources
Land Charges Self Financing	24,680.00	0.00	To cover under and overs on this demand led service
Individual Registration	42,695.74	0.00	To spread the 4 year costs
Customer Access & Accomm Project	215,650.00	0.00	To support the project
Monkton Heathfield Capacity Funding	515,995.00	0.00	Ring fenced for consultancy work including legal advice on delivery issues and master planning
Licensing Fund Balance	(19,540.00)	0.00	To cover under and overs on this demand led service
Parking	50,000.00	0.00	To support the Taunton car park strategy
Specialised Planning Legal Costs	165,000.00	0.00	For specific advice
Resources Service Costs	127,893.00	0.00	Provides resilience for the service including: benefits processing, IT project costs, Finance resources cover etc
	11,851,655.58	92,596.34	

Taunton Deane Borough Council

Executive – 4 February 2016

Draft Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Policy 2016/2017

Report of the Finance Manager

(This matter is the responsibility of Executive Councillor Williams – Leader of the Council)

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 has external borrowing of £92.2m, which is all attributable to the Housing Revenue Account. |
| 1.5 | The Council's investment balances fluctuate and currently range between £33m and £52m. |
| 1.6 | The Bank Base Rate has remained at 0.5% for several years and is currently forecast to remain at this level until the third quarter of 2016. |

2. Background Information

- 2.1 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.

- 2.2 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 Sectoral Guidance Notes (“the Code”) and CLG Guidance on Local Government Investments (“the Guidance”).
- 2.3 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.
- 2.4 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 authority 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 Corporate Scrutiny Committee.
- 2.5 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.
- 2.6 The current core principles remain in place within the proposed TMSS for 2016/17, which is to prioritise security (avoiding loss of council funds) and liquidity (quick access to cash) over return (interest costs and income).

2.7 However the TMSS for 2016/17 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. Table 2 within the TMSS sets this out in a useful summary.

3. Treasury Management Strategy Statement

3.1 Council approves the strategy in advance of the new financial year and receives annual and mid-year reports, in accordance with the Code.

3.2 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 2016/17
- Borrowing interest rates are currently attractive but are likely to remain low for some time
- 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.

3.3 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.

3.4 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.

3.5 The Council's general fund capital financing requirement (CFR) for 2016/17 is £6.855m which is currently funded through internal borrowing. The timing of any borrowing must be considered as mentioned in 3.2 above.

3.6 The Council's Housing Revenue Account (HRA) CFR for 2016/17 is £110.571m which is currently funded through external borrowing of £92.198m plus internal borrowing of £18.373m. The Government sets a debt cap for the HRA which currently limits borrowing to £115.8m.

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

4. Corporate Scrutiny Committee Comments

4.1 Corporate Scrutiny Committee considered and noted the report at its meeting on 21 January 2016.

5. Finance Comments

5.1 The estimated costs and income of financing have been reflected in the Council's MTFP forecasts for the General Fund and Housing Revenue Account.

5.2 For the General Fund, there is a significant impact in terms of budget savings through the proposed new MRP policy. This moves from the current approach which charges MRP at 4% per year, to a new approach which proposes calculating MRP based on a weighted average asset life of 45.57 years. This equates to an MRP rate of 2.19% and has enabled the Council to release budget savings of £382,000 in 2015/16 with ongoing annual savings of £234,000 from 2016/17 as reflected in the Budget Report included on the agenda for this committee.

5.3 This is on the basis that the revised MRP Policy is approved from 1 April 2015.

6. Legal Comments

6.1 There are no legal implications of this report.

7. Links to Corporate Aims

7.1 The TMSS supports the funding of projects as well as the general fund, which in turn support the Corporate Aims.

8. Environmental Implications

8.1 No environmental implications have been identified.

9. Community Safety Implications

9.1 No community safety implications have been identified.

10. Equalities Impact

10.1 After initial screening no Equality Impacts were identified for any specific group.

11. Risk Management

11.1 There are both credit and liquidity risks surrounding treasury activities. This strategy looks to minimise the Council's exposure to these risks.

12. Partnership Implications

12.1 No partnership implications have been identified.

13. Recommendations

- 13.1 That Executive recommends to Full Council the approval of the Treasury Management Strategy Statement (TMSS), Annual Investment Strategy and revised MRP Policy as included with this report.
- 13.2 That Executive recommends to Full Council the approval of the Prudential Indicators included within the TMSS which include limits for borrowing and investment.
- 13.3 That Executive recommends to Full Council the change to the Council's Minimum Revenue Provision (MRP) policy is applied with effect from 1 April 2015.

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Taunton Deane Borough Council

Treasury Management Strategy Statement and Annual Investment Strategy 2016/17, and Revised MRP Policy 2015/16 & 2016/17

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 is, therefore, central to the Council's treasury management strategy.

External Context

Economic background: Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.1% in October. Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 81st consecutive month at its meeting in November 2015. Quantitative easing (QE) has been maintained at £375bn since July 2012.

The outcome of the UK general election, which was largely fought over the parties' approach to dealing with the deficit in the public finances, saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

China's growth has slowed and its economy is performing below expectations, reducing global demand for commodities and contributing to emerging market weakness. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed. Strong US labour market data and other economic indicators however suggest recent global turbulence has not knocked the American recovery off course. The Federal Reserve did not raise policy rates at its meetings in October and November, but

the statements accompanying the policy decisions point have made a rate hike in December 2015 a real possibility. In contrast, the European Central Bank finally embarked on QE in 2015 to counter the perils of deflation.

Credit outlook: The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.

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 UK, USA and Germany. The rest of the European Union will follow suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. 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 remain stubbornly low.

Interest rate forecast: The Authority's treasury advisor Arlingclose projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

A shallow upward path for medium term gilt yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its current 2.0% level by around 0.3% a year. The uncertainties surrounding the timing of UK and US interest rate rises are likely to prompt short-term volatility in gilt yields.

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

	31.3.15 Actual £'000	31.3.16 Estimate £'000	31.3.17 Estimate £'000	31.3.18 Estimate £'000	31.3.19 Estimate £'000
General Fund CFR	6,695	9,260	9,164	8,984	8,804
HRA CFR	98,441	104,147	107,073	107,073	103,573
Total CFR	105,136	113,407	116,237	116,057	112,377
Less: External borrowing	(92,198)	(92,198)	(89,500)	(85,500)	(82,500)
Internal borrowing	12,938	21,209	26,737	30,557	29,877
Less: Usable reserves	(33,283)	(33,432)	(32,298)	(35,883)	(39,094)
(Investments) or New borrowing	(20,345)	(12,223)	(5,561)	(5,326)	(9,217)

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 2016/17.

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 2016/17. 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 2016/17 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 2016/17 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 2016/17. 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 Next day only	£3m 100 days	n/a	n/a	n/a
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 country since the risk is diversified over many countries.

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£6m each
UK Central 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 2016/17 is £366,800 (General Fund = £314,000, HRA = £52,800). The budget for debt interest paid in 2016/17 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

Arlingclose Economic and Interest Rate Forecast December 2015

Underlying assumptions:

- The global economy is facing a period of slower growth, as China reorients slowly towards domestic demand. Lower demand for raw materials will depress growth in mainly developing countries where extraction is the primary industry and countries particularly reliant on exports will also face more challenging conditions.
- Countries with stronger domestic demand, such as the UK and US, will be able to weather a temporary global slowdown, helped by lower commodity prices. However, persistently slower growth will have economic repercussions for these countries.
- Additional US monetary policy tightening will be gradual and not pre-planned. The US economy will absorb the rise in interest rates without choking off growth.
- UK economic growth will slow further but remain within the long-term trend range. Economic growth softened in Q3 2015 but remained reasonably robust at 2.3% year-on-year.
- Inflation is currently very low and, will likely remain so over the next twelve months, on the back of low commodity prices and expectations that UK monetary policy will be tightened (strengthening sterling). The CPI rate will rise towards the end of 2016.
- Domestic demand is key for UK growth. Household spending has been and will remain the key driver of GDP growth through 2016. Consumption will continue to be supported by real wage and disposable income growth.
- On the back of strong consumption, business investment has strengthened, which should drive some productivity growth. However, the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Annual average earnings growth was 2.4% (including bonuses) in the three months to October. With low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the medium term and may alleviate the wage pressure on companies. The development of wage growth is one of the factors being closely monitored by the MPC.

- Longer term rates will be tempered by international uncertainties and weaker inflation pressures.

Forecast:

- Arlingclose maintains its projection for the first rise in Bank Rate in Q3 2016. Risks remain weighted to the downside. Arlingclose projects a slow rise in Bank Rate. The appropriate level for Bank Rate will be lower than the previous norm and will be between 2 and 3%.
- Arlingclose project medium term gilt yields on a shallow upward path in the medium term, with interest rate and inflation expectations remaining subdued.
- The uncertainties surrounding UK and US monetary policy, and global growth weakness, are likely to continue to prompt short term volatility in gilt yields.

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Average
Official Bank Rate														
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.31
Arlingclose Central Case	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50	1.50	1.50	1.12
Downside risk				-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-0.73
3-month LIBID rate														
Upside risk	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.36
Arlingclose Central Case	0.60	0.70	0.80	0.95	1.05	1.15	1.30	1.40	1.50	1.60	1.65	1.70	1.75	1.24
Downside risk		-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20	-1.20	-0.83
1-yr LIBID rate														
Upside risk	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.41
Arlingclose Central Case	1.20	1.35	1.45	1.55	1.70	1.80	1.95	2.00	2.10	2.15	2.15	2.15	2.15	1.82
Downside risk	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25	-1.25	-0.88
5-yr gilt yield														
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	1.30	1.38	1.45	1.53	1.60	1.68	1.75	1.83	1.90	1.98	2.05	2.13	2.20	1.75
Downside risk	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25	-1.25	-0.94
10-yr gilt yield														
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	1.90	1.95	2.00	2.05	2.10	2.15	2.20	2.25	2.30	2.35	2.40	2.45	2.50	2.20
Downside risk	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25	-1.25	-0.94
20-yr gilt yield														
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	2.50	2.53	2.55	2.58	2.60	2.63	2.65	2.68	2.70	2.73	2.75	2.78	2.80	2.65
Downside risk	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20	-1.20	-0.89
50-yr gilt yield														
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	2.50	2.55	2.60	2.63	2.65	2.68	2.70	2.73	2.75	2.78	2.80	2.83	2.85	2.69
Downside risk	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15	-1.15	-0.84

Existing Investment and Debt Portfolio Position

	31/12/2016 Actual Portfolio £m	31/12/2016 Average Rate %
External Borrowing:		
PWLB - Fixed Rate	84,198	3.03%
PWLB – Variable Rate	5,000	0.54%
LOBO Loans	3,000	4.25%
Total External Borrowing	92,198	2.80%
Investments		
Short Term	46,822	0.91%
Net Debt	45,376	

Prudential Indicators 2016/17

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	2015/16 Revised £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Non-HRA	12,283	2,444	314	168
HRA	16,621	14,552	8,873	9,015
Total	28,904	16,996	9,187	9,183

- 2.2 Capital expenditure will be financed as follows:

Capital Financing	2015/16 Revised £'000	2016/17 Revised £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Capital Receipts	2,014	979	205	143
Capital Grants	782	472	84	0
Revenue Contributions	15,062	11,612	8,898	9,040
Borrowing	11,046	3,933	0	0
Total	28,904	16,996	9,187	9,183

3. Capital Financing Requirement

- 3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.
- 3.2 The CFR is forecast to increase during 2016/17 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.

Capital Financing Requirement	31.03.16 Revised £'000	31.03.17 Estimate £'000	31.03.18 Estimate £'000	31.03.19 Estimate £'000
General Fund	9,260	9,164	8,984	8,804
HRA	104,147	107,073	107,073	103,573
Total CFR	113,407	116,237	116,057	112,377

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	31.03.16 Revised £'000	31.03.17 Estimate £'000	31.03.18 Estimate £'000	31.03.19 Estimate £'000
Borrowing	92,198	89,500	85,500	82,500

- 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	2015/16 Revised %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
General Fund	(2.38)	(2.25)	(2.41)	(2.59)
HRA	9.88	10.43	12.04	11.96
Total	7.50	8.18	9.63	9.37

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	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
Increase in Band D Council Tax	1.98	0.25	0.13
Increase in Average Weekly Housing Rents	1.57	0.95	0.97

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.

Annual Minimum Revenue Provision (MRP) Statement 2015/16 and 2016/17

1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP) although there has been no statutory minimum set aside since 2008. The Local Government act 2003 requires the Council to have regard to the Department for Communities and Local Government Guidance on Minimum Revenue Provision (the DCLG guidance most recently issued in 2012).
2. 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.
3. 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.
4. The MRP methodology has been reviewed this year to ensure that our approach is appropriate for our financial stability and is robust and prudent for future capital expenditure. A number of options were considered and the most appropriate is that of the Equal Instalment Method whereby MRP is linked to weighted asset life. This has meant for Taunton Deane Borough Council that the repayments have been extended to a 45.57 year period.
5. On balance the weighted average useful life approach appears to be a prudent approach and takes into consideration the materiality of each asset and its recorded remaining useful life. The weighted average is then applied to the class of asset then applied across the whole fixed asset base. This should give a robust basis to support the asset life applied to MRP calculations and be appropriate for audit scrutiny.
6. 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.

It is recommended that the Council adopts a revised MRP Policy using weighted average asset life on a straight-line basis for calculating a prudent annual provision for capital debt repayment, to be applied from 1 April 2015.

							Appendix D	
Option 3 (a) Asset Life Method based on Weighted Average								
Using Option 3(a)	This assumes equal instalments over 45.57 years							
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
		£	£	£	£	£	£	£
Current MTFP Budget for MRP		-562,270	-414,600	-414,600	-414,600	-414,600	-414,600	-414,600
Option 3 Proposed Payment of MRP		-180,060	-180,060	-180,060	-180,060	-180,060	-180,060	-180,060
Revenue Saving (-)		-382,210	-234,540	-234,540	-234,540	-234,540	-234,540	-234,540
What does this mean for the term?								
		Capital Financing Requirement	Years					
Existing methodology		8.205m	18	Based on budgeted repayments of £414,600				
New methodology		8.205m	45.57	Based on repayments of £180,060				

Taunton Deane Borough Council

Executive – 4 February 2016

Draft General Fund Revenue Estimates 2016/2017

Report of the Finance Manager

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

IMPORTANT NOTICE FOR MEMBERS

In order for this item to be debated in the most efficient manner at the Executive meeting, Members are requested to contact the Finance Manager in advance of the meeting with queries regarding points of detail or requests for further supporting information.

1 Executive Summary

This report presents the Executive's 2016/17 Draft Budget for the General Fund for recommendation to Full Council for approval on 23 February 2016.

The Budget was previously presented to Members at Corporate Scrutiny on 21 January 2016. Subsequently, Executive Councillors have finalised its budget proposals, which includes some updates to the previous draft as set out in this report and includes the Executive's Council Tax proposal for 2016/17.

The Executive is proposing to **increase Basic Council Tax by £5.00 (3.6%) in 2016/17.**

Pending the establishment of the Somerset Rivers Authority (SRA) as a precepting body, the Government has also given the County Council and five District/Borough Councils in Somerset the option of levying a further 1.25% in Council Tax to raise funding needed to implement the 20 year Flood Action Plan created in the aftermath of the severe flooding in winter 2013/2014.

The Executive is also proposing to **increase Council Tax by £1.74 (1.25%) – in addition to the £5 increase on the main Council's main Council Tax precept – on behalf of the SRA.**

The Provisional Settlement for the Council's funding from Central Government was announced on 17 December 2015. This has confirmed the continuation of significant cuts to general funding as the Government implements measures to address the national deficit. The Provisional Settlement Funding Assessment has resulted in a 16.2% cut in the funding baseline in 2016/17, further to the 14.4% reduction in 2015/16. It has been well reported that **delivering a sustainable financial position**

for the Council over the medium term will continue to be extremely challenging. The Council has made significant progress in tackling the financial pressures faced. The implementation of joint management and shared services with West Somerset Council provides important efficiency savings, however further savings will be needed over the medium term to deliver a balanced budget in future years.

The Proposals, if approved by Full Council on 23 February 2016, will enable the Council to set a balanced budget for 2016/17, which is essential for the ongoing financial resilience of the authority.

2 Background

- 2.1 The purpose of this report is to provide Members with all the information required for Executive to recommend its proposed revenue budget for 2016/17 to Full Council, and for the Executive to recommend its proposed Council Tax rate for 2016/17. The draft 2016/17 Capital Programme, the revenue implications of which are taken into account within the revenue budget, is included as a separate report for this Executive meeting.
- 2.2 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, Leisure Services, certain Housing functions, Community Services and Corporate Services.
- 2.3 The Council 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).
- 2.4 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 Corporate Business Plan.
- 2.5 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.
- 2.6 The framework and approach for budget setting have previously been reported to Members in the following reports:
 - Financial Outturn 2014/15 – Corporate Scrutiny 25 June 2015 / Executive 8 July
 - Medium Term Financial Plan – Corporate Scrutiny 13 August 2015
 - Approach to Budget Setting 2016/17 – Corporate Scrutiny 22 October 2015

- Budget Update and Initial Savings Options 2016/17 – Corporate Scrutiny 17 November 2015
- Fees and Charges 2016/17 / Parking Fees – Corporate Scrutiny 17 November 2015 / Executive 3 December 2015 / Full Council 15 December 2015
- New Homes Bonus – Funding Towards Growth and Regeneration Priorities – Executive 3 December 2015 / Full Council 15 December 2015

2.7 A “Budget Consultation Pack” has again been provided to all Members (issued on 23 December 2015), to share details of draft budget proposals and the Provisional Settlement Funding Assessment that was issued by Government on 17 December 2015.

2.8 Executive Councillors have reviewed the initial draft budget proposals with recent updated information from the Provisional Finance Settlement, and have also considered feedback from Members including comments from Corporate Scrutiny in January. Initial changes to the Draft Budget proposals by the Executive are set out within this report.

3 Corporate Scrutiny Comments

3.1 New Railway Feasibility Study – It was recommended by the Committee that the £40k included for TDBC’s contribution to this feasibility is removed from the 2016/17 budget. The Executive duly considered this proposal however is minded to retain this as part of the budget plans for 2016/17.

3.2 Voluntary and Community Centre Grants – It was proposed that the savings option of £40k be removed from the 2016/17 budget. In considering this it was also proposed that the recommended transfer of the Community Rights to Challenge earmarked reserve (Review of Earmarked Reserves Report) to General Reserves in effect be used to fund the saving being considered in respect of Voluntary and Community Centre Grants. The Executive duly considered this proposal however the proposed savings option remain included within the overall list presented to Members.

3.3 Equality Impact Assessments – It was suggested by a Member of the Committee that the Equality Impact Assessments accompanying the 2016/17 budget report were not robust and complete. The officers involved in preparing the EIAs, in consultation with relevant stakeholders, are satisfied that they are robust and reflect feedback from those stakeholders on possible implications.

4 The Robustness of the Budget Process

4.1 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. The statement in respect of the Draft Budget is included in Appendix A.

Conclusion of the Robustness of the Budget and Adequacy of Reserves

4.2 Based on the evidence that I, the S151 Officer, has reviewed, I am able to

confirm that I believe the Council's reserves to be adequate, and the Executive's draft budget proposals for 2016/17 to be sufficiently robust.

- 4.3 Whilst the budget for 2016/17 is balanced with clear savings plans in place, the medium term financial plan shows that we have a gap of £854k for 2017/18 which rises to over £3.057m by 2019/20. A significant challenge for our transformation programme. Members are fully aware that difficult decisions lie ahead and need to work together to progress this in the best interests of our community.

5 Funding From Central Government

Provisional Settlement Funding Settlement - Summary

- 5.1 The MTFP has previously been updated for indicative estimates of potential funding from Government. Details of the Provisional "Settlement Funding Assessment" for 2016 was announced on 17th December 2015.
- 5.2 This settlement information has been used for the draft budget included in this report. In summary the headlines for 2016/17 are:
- Settlement Funding cut by 16.2% in 2016/17 - this comprises Revenue Support Grant (RSG) and Business Rates (BR) Baseline
 - RSG reduced by £738,372 (37.4%) compared to 2015/16, from £1,973,509 (adjusted for Rural Services Delivery Grant and Council Tax Freeze Grant – see next two bullets) to £1,235,137
 - Rural Services Delivery Grant (RSDG) of £5,311 was included within RSG in 2015/16 – this will be paid as a separate non-ringfenced grant in 2016/17, and has been increased by £1,542 (29%) to £6,853
 - Council Tax Freeze Grant of £62,060 is rolled into the RSG baseline at the start of 2016/17 – and therefore falls out of the Council's funding by 2019/20 when RSG is nil.
 - The Business Rates Baseline has increased by 0.8% (in line with September RPI), from £2,457,951 to £2,478,434
 - New Homes Bonus (provisional) grant increased by £698,960 (22%) to £3,877,610
 - The Government has issued draft principles for referendums relating to Council Tax increases – and for this Council the maximum increase in 2016/17 before a referendum is needed is £5.00 on the basic tax rate (for a Band D) which equates to an increase of just over 3.5%; information included within the Provisional Settlement indicates this limit of £5 will apply each year through to 2019/20
 - Pending the establishment of the Somerset Rivers Authority (SRA) as a precepting body, Somerset County Council and all the Somerset district councils have an option to set a precept of up to 1.25% for the purposes of funding the SRA (this is separate to the £5 increase limit referred in the previous bullet) – for this Council this would raise a precept of £67,987 in 2016/17 to fund the SRA (the 1.25% aims to raise £2.7m in total through

council tax if all Somerset councils precept)

5.3 The provisional settlement also includes other important information:

- Government has confirmed its commitment that local government will retain 100% of business rates by the end of this Parliament; Government will consult on proposals in the summer 2016
- Government has published a consultation on New Homes Bonus, setting out options for reducing the number of years paid from 6 to 4, and other measures to 'sharpen the incentive' of the scheme – such as withholding funding where no Local Plan has been produced
- Indicative four year funding information for RSG shows this will significantly reduce – and for some Councils including TDBC, reduce to nil – by 2019/20;
- Business Rates Tariff Adjustment: Through the funding reductions proposed by Government some councils see their RSG reduce to nil in 2018/19 or 2019/20 (as for TDBC); in these circumstances the Government is proposing to introduce an adjustment to increase the Tariff in order to ensure that cuts to funding across authorities over the four years are proportional – the indicative cut for TDBC in 2019/20 is forecast as £127,940
- Rural Services Delivery Grant is projected to increase, with the national pot increasing from £15.5m in 2015/16 to £65m in 2019/20; this funding stream includes a small increase in 2016/17 for TDBC
- The Government will offer any council that wishes it to take up a four-year funding settlement to 2019/20 – the process and conditions for this are not yet confirmed and it is assumed at this stage that this will be covered in the Final Settlement in February – see below;
- Government has issued draft statutory guidance which would permit local authorities to treat revenue costs “incurred on projects designed to reduce future revenue costs and/or transform service delivery” as capital costs during the periods 2016/17, 2017/18 and 2018/19 – and such costs may be funded from new capital receipts arising from the sale of assets in each year. The guidance includes a new statutory requirement to approve an Efficiency Strategy as part of the revenue budget process each year.

Possible Four Year Settlement

- 5.4 As referred above the Provisional Settlement includes the following “The Government will offer any council that wishes to take up a four-year funding settlement to 2019/20...if they have published an efficiency plan”.
- 5.5 At the time of writing this report the specific details of what would be included in the four year deal, and what is not, has yet to be clarified and it is assumed at this stage that this will be covered in the Final Settlement in February. The basis of an efficiency plan is also unclear at this stage although it is anticipated this will not be an onerous process above good practice.

- 5.6 Details of the settlement ‘offer’ and the efficiency plan requirements are likely to be included with the Final Settlement details which should be published no later than 11 February, and this may be as a formal Consultation in the Spring. This will be important to consider alongside the Council’s ambitions for transformation and any proposal to use new capital receipts to fund revenue costs of schemes that produce savings. In the absence of clear governance requirements it is **requested that Members consider delegating a decision to the Leader, Portfolio Holder for Resources and the S151 Officer regarding acceptance of a four year settlement provided it is in the Council’s interests to do so.**

General Fund Revenue Funding

- 5.7 The following table summarises updated funding baseline:

Table 1 – Provisional Settlement Funding Assessment headline figures

	2015/16 £k	2016/17 £k	Change £k	
Revenue Support Grant	1,973	1,235	-738	-37.4%
Business Rates Baseline	2,458	2,478	20	0.8%
Total Funding Baseline	4,431	3,713	-718	-16.2%

- 5.8 The ‘Start Up’ Settlement Funding position in April 2013 gave the Council a funding Baseline of £5.922m in 2013/14. The Provisional Baseline Funding for 2016/17 is £3.713m, which is £718k (16.2%) less than the previous year and some £2.209m (37%) less than the Start Up position in cash terms – the reduction is greater in real terms taking into account inflation.

Revenue Support Grant (RSG)

- 5.9 The Provisional Settlement indicates our RSG for 2016/17 will be £1,235,137. This is a reduction of £738,032 or -37.4% compared to 2015/16.
- 5.10 Information included in the Provisional Settlement announcement on 17 December 2015 has confirmed our previous expectations that RSG will reduce to nil in future. Our projections in the MTFP, based on information provided with the Provisional Settlement, assume that RSG will diminish to nil by 2019/20. However, details beyond 2016/17 may be subject to change, although the Government has indicated there is an option to agree a four year settlement which would (in theory) give authorities more certainty for financial planning. Indicative figures for Taunton Deane Borough Council are as follows:

Table 2 – Revenue Support Grant

	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
RSG	1,973,169	1,235,137	644,801	279,788	0
Reduction against previous year		-738,032 37.4%	-590,336 47.8%	-365,013 56.6%	- 279,788 -100%

Rural Services Delivery Grant

- 5.11 Included in the Provisional Settlement it was stated that the Rural Services Delivery Grant (RSDG), which has previously been included with Revenue Support Grant, will be paid a separate non-ringfenced grant in 2016/17.
- 5.12 The national pot is increasing from £15.5m in 2015/16 to £65.0m in 2019/20. Indicative figures for Taunton Deane are:

Table 3 – Rural Services Delivery Grant

	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
RSDG	5,311	6,853	11,992	17,132	22,271
Increase against previous year		1,542 29%	5,139 75%	5,140 43%	5,139 30%

Retained Business Rates

- 5.13 The Provisional Settlement indicates our Business Rates Baseline for 2016/17 will be £1,100,695, an increase of £9,097 or 0.8%. The Baseline is due to increase by RPI each year - the September 2015 RPI is 0.8%.
- 5.14 Our actual funding from business rates will be based on local estimates of business rates income through the Retention Scheme. Funding could therefore be above or below the Baseline. The current estimates for the 2016/17 retained business rates funding have been updated since the Members' Budget Consultation Pack and the report to Corporate Scrutiny Committee in January, following the completion of further work to finalise the forecast of business rates income.
- 5.15 The Draft Budget includes net Retained Business Rates funding of £2.959m. This represents 7.2% of the projected total net collectible business rates income of £40.827m. Table 4 below summarises the budget estimates:

Table 4 – Business Rates Indicative Funding Estimates

	Budget 2015/16 £k	Estimate 2016/17 £k
40% Standard Share of Business Rates Yield	15,923	16,331
Rates yield from renewable energy schemes	120	197
S31 Grant Income – Reliefs and RPI cap	678	530
Less: Tariff payable to Government	-13,729	-13,843
Less: Levy Payment to Government	-243	-256
Net Retained Business Rates Funding	2,749	2,959

- 5.16 The draft budget for retained business rates income has increased by £210k in 2016/17, which Members will note has improved the position by £318k compared to previous estimates included in MTFP. This net position reflects the impact of appeals which is significant, however this is mitigated in part by general inflation increase of 0.8% RPI in rates bills in 2016/17, projected rates growth (such as solar farms, new car park and swimming pool), plus an

increase in projected rates due on renewable energy growth which is 100% retained by TDBC.

- 5.17 As the projected business rates retention amount is higher than the Baseline within the Settlement Funding Assessment the Council is required to pay a levy to Government based on 50% of the 'growth' above the Baseline. The levy is forecast to be £256k in 2016/17.
- 5.18 Also through the Autumn Statement 2015, and subsequent Provisional Settlement Funding Assessment announcements on 17 December 2015, the Government has confirmed its intention to move to 100% retention of business rates funding by local authorities by the end of this parliament. At this stage there are no firm indications of how this will work – and the Government plans to engage with local authorities to gather information before undertaking a formal consultation on proposals in the summer of 2016. No assumptions are currently made within our financial planning regarding any changes to our business rates funding following the consultation. It is anticipated the outcome of the consultation will be reflected in the Settlement details in December 2016.

Retained Business Rates - Contingent Risk

- 5.19 A letter has recently been sent to a number of local billing authorities by a national property agent acting on behalf of some public sector premises requesting mandatory business rate relief.
- 5.20 This Council has not received such a letter but we have been made aware of the details through a number of professional and advisory sources.
- 5.21 This is a complex legal matter and at this stage the Council would not accept any such request for mandatory relief. Further guidance is expected from the Department for Communities and Local Government on this matter.

Business Rates Pool

- 5.22 Taunton Deane is one of the authorities that formed the Somerset Business Rates Pool with effect from April 2015. The pool has the potential to reduce the levy payable to Government for business rates growth above the baseline – which would result in a 'dividend' being shared amongst members of the Pool (TDBC, Somerset County Council, BANES, North Somerset, and Mendip, Sedgemoor and South Somerset districts).
- 5.23 No dividend is included in the MTFP forecasts, which is prudent as we are still in the first year of operating the Pool. Any dividend would therefore be a windfall and would provide funding for initiatives that support the local economy.

New Homes Bonus Grant (NHB)

- 5.24 The New Homes Bonus (NHB) Grant is a grant from the Government which 'rewards' housing growth. The NHB Grant is non-ringfenced, which means the

Council is free to decide how to use it. The current scheme design assumes that each year's Grant allocation will be payable for 6 years. The Government announced the Provisional NHB Grant allocation of £3,878k for 2016/17 with the Provisional Settlement. This is £12k less than the previous MTFP forecast of £3,890k, and it is assumed the transfer to the New Homes Bonus / Growth and Regeneration Reserve will be adjusted accordingly. The total grant is an increase of £699k compared to the grant for 2015/16.

- 5.25 The following table summarises the grant income to date and future estimates currently included in the MTFP (which reflects a potential outcome of the NHB consultation – see below).

Table 5 – New Homes Bonus Grant Funding

Allocations in respect of:	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	Cumulative
	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£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						699	699	699	699		2,796
Subtotal	392	1,040	1,727	2,303	3,179	3,878	2,838	1,575	699	0	17,631
2017/18							578	578	578	578	2,312
2018/19								516	516	516	1,548
2019/20									516	516	1,032
2020/21										516	516
Total	392	1,040	1,727	2,303	3,179	3,878	3,416	2,669	2,309	2,126	23,039

- 5.27 The current draft budget for 2016/17 (and longer term projections in the MTFP) assumes that £392k of this grant will be used as 'mainstream funding' to support the annual budget. This allows the Council to continue to support functions such as Regeneration, Economic Development, Planning Policy, Housing etc which will ensure that the benefits of growth are maximised for Taunton Deane and its communities.

- 5.28 At Full Council on 15 December 2015 Members supported investment in principle of £16.6m from projected New Homes Bonus receipts towards a number of growth spend categories reflecting the priorities established in the Taunton Growth Prospectus and aligned with the relevant plans and priorities of key partners, such as Somerset County Council, Environment Agency, Local Enterprise Partnership and the business community. Having such funds allocated will enable the Council to respond quickly to commercial and funding opportunities to support growth, which in turn will facilitate the realisation of Taunton's economic vision and key economic benefits (as defined in the approved Taunton Growth Prospectus), such as: new homes, new enterprises, new and better jobs, increased employment land – new office space and industrial land, and a vibrant town centre.

- 5.29 However, the Government issued a consultation document as part of the Provisional Settlement outlining possible changes to New Homes Bonus funding. There are a number of options being proposed but the indications are

that the number of years allocation will drop and for the purposes of the MTFP forecast we are assuming that in 2017/18 we will only receive 5 years allocation and in 2018/19 and subsequent years we will only receive a 4 year allocation. This has been reflected in the Forecast table above.

- 5.30 NHB is clearly a significant source of funding for the Council. Any future changes to the scheme following the Government's review will be reported to Members and reflected in the MTFP in June/July or as soon as possible thereafter. The consultation concludes on 10 March 2016.
- 5.31 Members are advised that reduced NHB would result in insufficient funds to cover all the proposed £16.6m spend within the anticipated timeframe. The Council acknowledged this funding risk when it approved the investment in principle in December, and accepted that plans would need to be reviewed when updated funding information is confirmed.

Housing Benefit & Council Tax Admin Grant

- 5.32 The Council receives separate grants towards the administration of housing benefit and council tax support. The provisional grant allocations for 2016/17 have not been received in full and therefore this report contains the assumptions within the current Medium Term Financial Plan, which is £426k compared with £565k received in 2015/16. This represents a reduction of £139k (24.6%).
- 5.33 This may be updated in the final budget if the grant amount is confirmed in time, otherwise any differences will be reported through the budget monitoring process in 2016/17.

6 Funding from Council Tax

- 6.1 The Council Tax Base of 39,072.86 Band D Equivalentents has been approved under delegated powers by the Section 151 Officer.
- 6.2 The current annual basic tax rate towards the cost of Taunton Deane Borough Council services, for the average Band D property, is £137.88. **The Executive proposal is to recommend a Council Tax increase of £5 in 2016/17.** For an average Band D property this will set a basic council tax rate of £142.88 per year (£2.74 per week), an increase of 3.62%.
- 6.3 Using the Council Tax Base for 2016/17 the draft budget estimate for basic Council Tax income is therefore $39,072.86 \times £142.88 = £5,582,730$ (excluding parish precepts and special expenses). This represents a total increase in budgeted income of £295,232, as shown below:

	£
Council Tax Income Budget 2015/16	5,287,498
Increase due to change in Tax Base (Band D equivalentents)	99,868
Increase due to proposed £5 increase in Tax Rate	195,364
Estimated Balance as at 31 March 2017	<u>5,582,730</u>

- 6.4 The Government's trigger for a referendum for "excessive Council Tax

increases” is set at £5 – so any increase above £5 will require a referendum of local taxpayers.

7 Somerset Rivers Authority Council Tax Precept

- 7.1 Through the Provisional Settlement the Government also announced that the County Council and the five district Councils in Somerset can raise additional funding for the Somerset Rivers Authority by setting a precept based on up to 1.25% of each Council’s 2015/16 basic tax rate – which for TDBC is £1.74 a year for a Band D. This would be for the purpose of funding the Somerset Rivers Authority in 2016/17 pending its establishment as a precepting body. The amount of additional Council Tax this would raise in Taunton Deane is £67,987 (£139.00* x 1.25% x 39,072.86 Band D Equivalents). [*Note: this is measured against the basic tax rate including the amount raised as “special expenses” in respect of the unparished area, which is different to the basic rate for TDBC in isolation.]
- 7.2 Assuming SCC also set a precept for the SRA at 1.25% this would raise a further £501,696 from Taunton Deane residents (£1,027.30 15/16 Band D Tax x 1.25% = £12.84 x 39,072.86 Band D Equivalents).
- 7.3 The overall opportunity across Somerset aims to raise £2.7m in funding for the SRA in 2016/17. The SRA Board is scheduled to consider its 2016/17 final budget proposals in March 2016. Within this, draft budget information shared with Somerset authorities indicates that the £2.7m would be prioritised to progress key workstreams within the Flood Action Plan including:
- dredging and river management
 - urban water management
 - resilient infrastructure
 - building local resilience
- 7.4 At the time of issuing this report officers continue to work with SRA colleagues to summarise budget information for 2016/17 – the intention is to issue further information to Executive as soon as this is available.
- 7.5 **The Executive is minded to recommend to Full Council the SRA Council Tax Rate of £1.74 for a Band D in 2016/17** utilising the authority given by Government pending the establishment of the SRA as a separate precepting body.
- 7.6 An increase in the Council’s own basic tax of £5 plus the 1.25% increase to precept for the SRA means a combined increase of £6.74 (4.89%) a year (13p per week) for a Band D. This would result in a total Band D charge for TDBC of £144.62 on the Council Tax bills in 2016/17.

Table 6 – Potential Tax Increase Including SRA Precept

2015/16 TDBC Basic Tax Rate (Band D)	137.88
SRA Council Tax (Basic Tax £137.88 + Special Expenses £1.12 = £139.00 x 1.25%)	1.74
TDBC Basic Tax Rate increase proposed	5.00
Potential Band D Equivalent	144.62

Potential increase as a percentage	4.89%
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- 7.7 Members will need to consider how any increase in tax raised is applied to the basic rate and special expenses.
- 7.8 Members are also advised – for information only – that the Government currently does not apply any tax setting principles to parish and town councils however this may be revisited in the future. It is conceivable that parishes may need a referendum to support “excessive” tax rises in future years.

8 Special Expenses / Unparished Area Budget

- 8.1 The previous MTFP estimates assumed the Special Expenses Rate (SER) will be subject to a 1.99% increase in 2016/17.
- 8.2 **The Executive is minded to recommend no increase to the Special Expenses Rate in 2016/17 – keeping the Band D Unparished Area Rate at £2.98 per year.**
- 8.3 This recommendation takes into account that the proposal to increase basic tax across the whole area by £5 means any increase in special expenses on top of this would require a referendum of local tax payers.
- 8.4 The Special Expenses income raised through council tax in 2015/16 is £42,900 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 £6,030 in 2015/16 giving a total budget for the year of £48,930.
- 8.5 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, by 1/3rd in 2017/18 and therefore the current CTS grant is expected to be phased out by 2018/19.
- 8.6 The proposed budget for 2016/17 is therefore £47,382, funded as shown below.

Special Expenses [14,550.92 x £2.98]	£43,362
Grant for CTS	£4,020
Total Unparished Area Budget 2016/17	£47,382

- 8.7 The Unparished Area Fund currently holds an unallocated balance of £56,824, which will be allocated to schemes agreed in future by the Grants Panel / Portfolio Holder.

Council Tax Support (CTS) Grant and Funding for Parishes

- 8.8 The Government included an unspecified amount of funding for the Council's share of the cost of CTS within the baselines for Revenue Support Grant and retained Business Rates in 2015/16. As this funding is included in the baseline it is not transparent as to how much funding will be received for CTS in

2016/17. However the Provisional Settlement includes 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. Included within the approvals was 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 total estimated 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

9 Addressing The 2016/17 Budget Gap

- 9.1 In line with the agreed approach to budget setting, Executive has considered a number of options to address the Budget Gap. In addition, financial estimates have been reviewed and updated through the budget process and the Budget Gap updated accordingly.
- 9.2 Various changes to the budget gap have been reported through the budget process, both in terms of changes to cost and income estimates through detailed budget work, and as a result of proposed and approved changes by Members. The Draft Budget closes the budget gap in full through a combination of savings, fees and charges and additional council tax income
- 9.3 Table 8 below summarises the changes to draft budget estimates since November 2015 and includes the changes proposed by Executive in order to set a balanced budget for 2016/17.

Table 8 - 2016/17 Budget Gap Position

	£k	Gap £k
2016/17 Budget Gap Estimate 17 November 2015		1,339
Council Tax Collection Fund surplus	-131	
Transfer of HRA Procurement Savings no longer required	148	
Reduction in MRP re removal of HRA Procurement Savings	-148	
Proposed MRP method change to asset life weighted average	-234	
Car Parking income increase in demand	-100	
One off transfer from EMR re 'P4A'	-100	
Taunton Deane Partnership not paying contribution to TDBC	5	
Remove JMASS non staff savings for savings to be achieved from Terms and Conditions and Transformation	112	
Support Service changes	-25	
Benefits Service – Costs previously funded by New Burdens Grant	59	
Car Parking fees and charges report (approved Full Council Dec	-860	

	£k	Gap £k
2015)		
Car Park Maintenance, pay on exit and variable message signing, project costs, CCTV (approved Full Council Dec 2015)	411	
Other Fees and Charges (approved Full Council Dec 2015)	-129	
Provisional Settlement – Lower NHB allocation than estimated	75	
Reduction in Transfer to NHB reserve	-75	
Provisional Settlement RSG reduction	46	
Provisional Settlement – Rural Services Delivery Grant removed from RSG	5	
Provisional Settlement – Rural Services Delivery Grant	-7	
CTS Grant reduction – Parishes £13k, Unparished Area £2k (approved Full Council Dec 2015)	-15	
Budget Gap Per Members Budget Pack in December		376
RCCO Budget Not Required	-46	
New Rail Station Feasibility Study	40	
Updated estimate in respect of Street Cleaning Costs	-12	
Support Services – Budget correction	144	
Waste Partnership updated budget requirement	-75	
2016/17 Budget Gap Estimate 21 January 2015		427
Council Tax proposed increase at £5, not 1.99%	-88	
Council tax income - Special Expenses at 0% increase	1	
Unparished Area Fund based on 0% tax rate change, not 1.99%	-1	
Savings Options as set out in Appendix B	-135	
Business Rates Retention 2016/17	-318	
Business Rates Deficit on the Collection Fund	192	
Transfer From Business Rates Retention Smoothing Reserve	-192	
Increase Business Rates Smoothing Reserve in 2016/17	114	
SRA One-off contribution in 2016/17	68	
1.25% Council Tax increase to fund SRA contribution	-68	
Final Housing Benefit and Council Tax Support Admin Grant	TBC	
Budget Gap / (-) Surplus Latest Estimate		0

- 9.4 The majority of the above movements in the Budget Gap since November 2015 were discussed through briefings provided to political Groups in January and at Corporate Scrutiny on 21 January 2016. The changes reflected since the December Members' Budget Pack are explained below.
- 9.5 **RCCO:** During the process of setting the 2016/17 capital programme it has been identified that £46k is not required to fund schemes that have been put forward and therefore this saving can be used to close the budget gap.
- 9.6 **Railway Station Feasibility:** One-off monies to fund a feasibility study for the proposed new Wellington Railway Station, in line with the proposed Corporate Strategy.
- 9.7 **Street Cleaning:** A revision to the additional budget included in 2015/16 has

resulted in a saving of £12k being identified for 2016/17, on the basis of removing 2015/16 one-off costs of bin replacement and aligning the budget to reflect confirmed costs of current service level.

- 9.8 **Support Services:** As part of the final estimates work an error within the budget for Support Service recharges has been identified, resulting in a General Fund Budget correction of £144k having to be made in 2016/17.
- 9.9 **Waste Services:** Updated estimate from Somerset Waste Partnership has been received as part of the draft Business Plan resulting in a saving of £75k in 2016/17.
- 9.10 **Council Tax:** The impact of implementing a £5 (3.62%) increase on the (Band D) Tax Rate increases the council tax income estimates by £88,300 – representing the difference between 3.62% and 1.99% (see section 6 above).
- 9.11 **Special Expenses / Unparished Area:** Maintaining the Special Expenses Rate at £2.92 for an unparished area Band D reduces the previous unparished area budget estimates by £870. This is offset by a reduction in the forecast special expenses tax income by the same amount (see section 8 above).
- 9.12 **Savings Options:** Executive Members are minded to support the implementation of the Savings Proposals that have previously been reported. The options are summarised in Appendix B and if these are all implemented this will provide ongoing savings of £135k in 2016/17.
- 9.13 **Business Rates Retention:** The final estimate for retained business rates income has increased by £318k compared to earlier forecasts (see 5.13 - 5.17 above).
- 9.14 **Business Rates Collection Fund Deficit:** The estimated deficit on the Business Rates Collection Fund for 2015/16 is £192k and therefore this needs to be transferred to the Collection Fund from the General Fund. It is proposed to transfer £192k from the Business Rates Retention Smoothing Reserve to fund this deficit.
- 10 **Funding for Business Rates Smoothing Reserve:** The Executive proposes to allocate £114k in 2016/17 to the business rates smoothing reserve to provide mitigation against the ongoing risk of business rates appeals and future Collection Fund losses.

11 HR Implications

- 11.1 There are no specific HR implications in respect of this report. In addressing the future financial challenge it is likely in future years that some staff will be affected by proposed budget savings, given the scale of the Budget Gap over the medium term. Managers will be supported by the HR Service, and consultation will be undertaken with staff and UNISON as the budget ideas are developed.
- 11.2 Regular updates have been provided to UNISON regarding the Council's

MTFP position and budget proposals.

12 DLO Trading Account

- 12.1 The implementation of the new ICT system that has been ongoing throughout 2015/16 will allow for the production of a more detailed analysis of spend and income within the DLO, as well as a more streamlined working pattern enhancing productivity. The impact of this has been included within the 2016/17 budget setting process.
- 12.2 Towards the end of 2015/16 and during 2016/17 it was 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.
- 12.3 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 Account reserve.

<i>DLO Trading Account 2016/17*</i>	Costs £k	Income £k	Net £k
Grounds	3,180	(3,231)	(51)
Building	5,203	(5,253)	(50)
Nursery	129	(129)	(0)
Grand Totals	8,512	(8,613)	(101)

* Please note these figures are provisional at this time.

- 12.4 The forecast reserves position for 2016/17 remains positive, and provides some resilience to volatility in trading performance and future investment needs.

<i>DLO Trading Account Reserves</i>	2015/16 £k	2016/17 £k
Estimated Balance Brought Forward	314	292
Forecast outturn	0	0
Estimated Balance Carried Forward	314	292

13 Deane Helpline Trading Account

- 13.1 The draft budget is based on a freeze for both private customers and Council Tenants with regards to the weekly charge, installation fees for private customers will also be frozen. Corporate Contracts will not increase as the CPI increase mechanism is written into each contract. There are no discounts available with all private customers paying the same. This was approved by Full Council on 15 December 2015.
- 13.2 The income budget is based on a prudent projection of income due for the year, and makes an allowance for income collection risks.
- 13.3 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.

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

Deane Helpline Trading Unit Estimates	2015/16 £k	2016/17 £k
Direct Operating Costs	993	1,004
Recharges and Capital Charges	81	112
Income	(994)	(1,009)
Estimated Deficit	80	107

14 Minimum Revenue Provision (MRP) Policy

- 14.1 The Minimum Revenue Provision methodology has been reviewed for 2016/17 to ensure that our approach is appropriate for our financial stability and is robust and prudent for future capital expenditure.

- 14.2 Amendment regulation 4(1) of the 2008 Capital Financing and Accounting Regulations which detailed the MRP rules, revised the former regulation and replaced them with a basic duty for an authority 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.

- 14.3 A number of options have been considered and the approach recommended is that of the Equal Instalment Method whereby the MRP is linked to weighted asset life. This has meant for Taunton Deane Borough Council that the repayments of capital borrowing through MRP have been extended to a 45.57 year period.

- 14.4 This is seen to be a prudent approach, resulting in an annual budget saving of £234k (see Table 8 above). This change in approach is subject to formal approval at Full Council in February – the MRP Policy is incorporated within the Treasury Management Strategy Report for approval – but has been included in the updated MTFP forecast based on the recommendation.

15 Draft General Fund Budget Summary 2016/17

- 15.1 The following table compares the draft proposed budget with the original budget for the current year. The table has been completed assuming a £5.00 increase as per the current draft budget assumptions.

	Original Budget 2015/16 £	Draft Budget 2016/17 £
Total Spending on TDBC Services	12,152,560	12,444,583
Somerset Rivers Authority Contribution	0	67,987
Capital Charges Credit	(2,513,080)	(2,513,080)
Revenue Contribution to Capital	648,590	482,500
Interest payable	0	0
Parish Precepts	531,720	531,720
Grants to Parishes for CTS	38,970	25,980
Special Expenses	42,900	43,360
Grants to Unparished Area	6,030	4,020
Capital Debt Repayment Provision (MRP)	562,270	180,060
Interest Income	(314,000)	(314,000)
Transfers to/from Earmarked Reserves	2,142,500	3,290,793
Transfer to/from General Reserves	(105,000)	0
AUTHORITY EXPENDITURE	13,193,460	14,243,923
Less: New Homes Bonus	(3,178,650)	(3,877,610)
Less: Revenue Support Grant	(1,916,420)	(1,241,990)
Less: Retained Business Rates	(2,749,000)	(2,959,304)
Less: Council Tax Freeze Grant	(62,400)	0
(Surplus)/Deficit on Collection Fund - BRR	709,660	191,668
(Surplus)/Deficit on Collection Fund - CTax	(134,530)	(130,890)
Demand on Collection Fund – Parishes & SER	(574,620)	(575,080)
Expenditure to be financed by District Council Tax	5,287,500	5,582,730
Council Tax Raised to fund SRA Contribution	0	67,987
Total Council Tax Raised by TDBC	5,287,500	5,650,717
Divided by Council Tax Base	38,348.55	39,072.86
Council Tax @ Band D – Taunton Deane Services	£137.88	£142.88
Council Tax @ Band D – Somerset Rivers Authority	0	£1.74
Council Tax @ Band D – TDBC including SRA	£137.88	£144.62
Cost per week per Band D equivalent	£2.64	£2.78

16 Medium Term Financial Plan Summary

- 16.1 The Council prepares its annual budget within the context of the Medium Term Financial Plan. This provides estimates of the budget requirement and budget gap into future years. The following table provides a summary of the current indicative MTFP based on the current draft budget estimates including savings proposals.

	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Forecast Net Expenditure	10,280,063	10,633,062	11,439,334	11,962,163	12,381,794
SRA Contribution	67,987	0	0	0	0
Earmarked Reserves	3,290,793	3,007,050	2,260,100	1,900,480	1,717,700
General Reserves	0	0	0	0	0
Unparished CTRS Grant	4,020	2,010	0	0	0
Unparished Precept (SER)	43,360	44,230	45,110	45,980	46,850
Parish CTRS Grant	25,980	12,990	0	0	0
TDBC NET EXPENDITURE	13,712,203	13,699,342	13,744,544	13,908,623	14,146,344
Parish precepts	531,720	531,720	531,720	531,720	531,720
TOTAL NET BUDGET	14,243,923	14,231,062	14,276,264	14,440,343	14,678,064
Retained Business Rates	-2,959,304	-2,977,089	-3,119,534	-3,060,691	-3,130,802
Collection Fund Surplus – BR	191,668	0	0	0	0
Revenue Support Grant	-1,235,137	-644,801	-279,788	0	0
Rural Services Delivery Grant	-6,853	-11,992	-17,132	-22,271	-22,271
New Homes Bonus	-3,877,610	-3,416,310	-2,669,360	-2,309,740	-2,126,960
Council Tax – TDBC	-5,582,730	-5,750,630	-5,923,320	-6,101,310	-6,284,720
Council Tax – To Fund SRA	-67,987	0	0	0	0
Council Tax – Special Expenses	-43,360	-44,230	-45,110	-45,980	-46,850
Collection Fund Bal – CTax	-130,890	0	0	0	0
TDBC NET FUNDING	-13,712,203	-12,845,052	-12,054,244	-11,539,992	-11,611,603
Council Tax – Parishes	-531,720	-531,720	-531,720	-531,720	-531,720
TOTAL FUNDING	-14,243,923	-13,376,772	-12,585,964	-12,071,712	-12,143,323
Budget Gap – In Year	0	854,290	836,009	678,331	166,110
Budget Gap – Cumulative	0	854,290	1,690,300	2,368,631	2,534,742

16.2 The above estimates include the following main **assumptions** related to funding:

- Revenue Support Grant for 2016/17 is as set out in the Provisional Finance Settlement. It is then projected to diminish to nil by 2019/20.
- The updated estimates for Business Rates funding for 2016/17 take into account the cap on the RPI increase to Rates at 0.80%, and the anticipated tariff adjustment in 2019/20.
- The updated estimates for New Homes Bonus funding assume that the number of years allocation will drop, therefore in 2017/18 TDBC will only receive 5 years allocation and in 2018/19 and subsequent years we will only receive a 4 year allocation.
- Council Tax is assumed to increase by £5.00 in 2016/17 then 1.99% each subsequent year.

16.3 Beyond 2016/17, the MTFP includes anticipated inflationary pressures related to staffing pay awards, price inflation on services and major contracts, as well as the estimated funding position over the next five years.

17 **General Reserves**

17.1 The Council considers its reserves position as part of the overall financial framework that underpins the Budget Strategy. This framework includes an acceptable minimum reserves level, which has been reviewed this year by the S151 Officer. It is proposed to increase the minimum reserves to £1.6m to reflect the risks facing the Council more robustly and to protect services to the community. The recommendation is that this the new operational minimum level, and funding decisions will be taken bearing this in mind.

- 17.2 Further information in support of the proposed Minimum Reserves is included in Appendix K. In addition, the S151 Officer comments on the acceptable minimum reserves within her “Robustness of Budget” statement – see Appendix A.
- 17.3 The current General Fund Reserves balance is £1.740m. This is only £140k above the new recommended minimum balance.
- 17.4 Based on the draft MTFP position set out above the General Reserves forecast is summarised as follows (not including recommended transfer from earmarked reserves included in separate report):

General Reserves Forecast

	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
Estimated Balance B/F	1,740	1,740	886	-804	-3,172
Predicted Budget Gap	0	-854	-1,690	-2,368	-2,535
Estimated Balance C/F	1,740	886	-804	-3,172	-5,707

- 17.5 Clearly the Council will need to ensure action is taken to ensure the projected financial deficit over the medium term as shown in this forecast is avoided and (at least) minimum balances are maintained. This is essential for the ongoing financial resilience and sustainability of the council. The Budget Proposals and Options presented for consideration provide opportunities to make significant progress towards addressing the financial challenge.

18 Finance Comments

- 18.1 This is a finance report and there are no additional comments.

19 Legal Comments

- 19.1 S.32 of the Local Government Finance Act 1992 sets out in detail how the Council must calculate its budget by estimating gross revenue expenditure, net income, and the Council Tax needed to balance the budget; S.25 of the Local Government Act 2003 requires the Chief Finance Officer (Strategic Director/S151 Officer for this Council) to report on the robustness of the budget-setting estimates and the adequacy of the proposed financial reserves.
- 19.2 Managers have considered legal implications in arriving at the draft proposed budget.

20 Links to Corporate Aims

- 20.1 The draft budget proposals have been prepared with consideration to links with the Corporate Aims. Further development of the MTFP will need to reflect the agreed priorities within the new Corporate Business Plan.

21 Environmental and Community Safety Implications

- 21.1 Environmental and community safety implications have been considered in arriving at the draft budget proposals.

22 Equalities Impact

- 22.1 Each budget option must be examined to assess what impact it may have on equality and diversity. Equalities Impact Assessments are included in Appendices C-J.

23 Risk Management

- 23.1 The risks associated with the various budget proposals and options have been considered, with significant risks highlighted in this report. In addition, the overall assumptions, risks and uncertainties will be reported within the S151 Officer's Robustness Statement with the final Proposed Budget to the Executive on 4 February 2016.

24 Partnership Implications

- 24.1 The Council operates many key partnerships including but not limited to: Southwest One, Tone Leisure, and Somerset Waste Partnership. Engagement with partners will continue to be an important factor in addressing the funding gaps in the medium term financial plan, to help the council deliver a sustainable and affordable financial position.
- 24.2 There is a clear link with West Somerset Council through the shared management and staff structures implemented through the JMASS project. Each council has considered its own budget requirement, but it is important that any impacts of decisions on service resources assess the impact on shared teams. For 2016/17 there are no identified issues in this regard in respect of options being considered by either Council.

25 Recommendations

- 25.1 The Executive recommends to Full Council the approval of the General Fund Revenue Budget for 2016/17 as outlined above. In particular the Executive recommends to Full Council to:
- a) Note the forecast Medium Term Financial Plan and Reserves position, and note the S151 Officer's Robustness Statement as set out in Appendix A of this report.
 - b) Approve the General Fund Revenue Budget 2016/17 including a Basic Council Tax Requirement budget of £5,582,700 and Special Expenses of £43,632.
 - c) Approve a Council Tax increase of 3.62%, increasing the Band D basic tax rate by £5 to £142.88 per year.

- d) Approve a further 2016/17 one-off Council Tax increase of 1.25% in respect of funding for the Somerset Rivers Authority, adding £1.74 to a Band D tax charge per year.
- e) Approve the transfer of any unallocated year end under-/overspend in the 2015/16 General Fund Revenue Account Outturn to/from the General Fund reserves.
- f) Approve the minimum reserves level at £1,600,000.
- g) Delegate a decision to the Leader, Portfolio Holder for Resources and the S151 Officer regarding acceptance of a four year settlement provided it is in the Council's interests to do so.

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ROBUSTNESS OF BUDGET ESTIMATES AND THE ADEQUACY OF THE COUNCIL'S RESERVES

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 (para 4) 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 assessed the Council's current arrangements for achieving financial resilience as "adequate" in their report to Councillors in September 2015.
- 2.2 The Council has, like many Districts, a tough challenge ahead in balancing the MTFP. This will force some difficult decisions, and we won't be able to deliver all services "as now", but Councillors through the work carried out last year have helped provide clarity on the future direction of the Council and what it wants to be for its community. This is essential for our transformation plans.
- 2.3 Our transformation programme (JMASS) has been planned in 2 stages. The first is now complete and has delivered the Council ongoing savings of £1.5m per annum. The planned second phase of JMASS – transformation – would, with investment, bring further savings. The initial projects on priorities and affordability will be reporting back to Members in February.
- 2.4 Members will be aware, via the recent briefings, of the approach to progressing the transformation business case. The ambition is to report back to Members on the outcome of this work in around 3 months. Whatever the outcome of this work, the transformation agenda for our Council is clear, and it will need to deliver savings to help us achieve sustainability in our MTFP.
- 2.5 The draft settlement position from Government will be finalised in early February. For 2016/17 TDBC are around £50k worse off than predicted for RSG, and around £75k worse off for NHB. For Business Rates, we predict our local position will be

around £318k better than we forecast in the MTFP although there is a Collection Fund deficit of £192k which will be paid from the Smoothing Reserve. All of this has been brought into the budget position shared with the Executive.

- 2.6 Looking further ahead, the draft settlement has a significant impact on our future year's forecasts. The figures shared by Government are "indicative" and will no doubt change as various consultations are progressed, but they give a good feel for the direction of travel in terms of Government support. Over the next 4 years, TDBC is predicted to lose all of its RSG funding (which is £1.916m in the 15/16 current year), to lose due to policy change around £3.363m of NHB by 19/20, and will lose due to tariff adjustment (which is effectively negative RSG) around £128k over this same period. By 19/20, we will have £2.513m less in funding per annum than we have currently. Clearly this will have an impact on our ability to deliver services to the community and will be the focus of our need to transform.
- 2.7 The flexibility for councils with lower quartile Band D tax (which includes TDBC) to raise additional council tax offers an opportunity to improve the Council's overall funding position, as does the potential to agree a four year funding settlement with Government. The consultations on New Homes Bonus (NHB) and NDR will bring new risks for us to consider in the future.
- 2.8 The draft settlement also offered the opportunity for authorities in Somerset to raise additional tax to fund the work of the Somerset Rivers Authority of which we are all Members. The request to Government to provide this body with separate precepting powers has not been put in place yet – so in the meantime the Government have offered us the flexibility to add an additional 1.25% to our own Band D Tax position. To progress this, we need to add this to TDBC's budget and tax bill. We can't show this separately on the tax bill but we can add some explanatory words to help our taxpayers understand the increase. The budget report sets out the requirement for this funding and the indicative spending plan for 2016/17. The overall funding request of the SRA is £2.7m of which TDBC's share is £67,987.
- 2.9 The budget report prepared sets out the necessary detail to enable Members to make safe budget decisions for 2016/17 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:-
- Through a policy change, we are suggesting the Council should progress a policy change on MRP. This provides benefit to the Council's revenue budget whilst maintaining prudent provision for the repayment of debt – albeit over a longer period.
 - The revenue, capital, and treasury forecasts are aligned and transparent.
 - Any "bonus" from being in the Business Rates Pool will be in addition to the budget position shown for 2016/17.
 - The minimum level of reserves has been fundamentally reviewed this year and I recommend that this is increased to £1.6m. Should the budget be approved, the General Fund Reserves will be slightly higher than the minimum level set – offering some contingency for unforeseen events during 2016/17.

- The minimum reserves level may be “broken” by a maximum of £250k for an invest to save initiative which will repay within 3 years.
- Importantly, the budget proposal does not rely on the use of General Fund Reserves to support day to day spending.

3 ROBUSTNESS OF BUDGET ESTIMATES

- 3.1 The proposed budget for 2016/17 (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 Business Plan and the priorities allocated therein.
- 3.3 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 Through the Autumn Statement 2015 and the subsequent Provisional Settlement in December 2015 the Government has confirmed its intention to move to 100% retention of business rates funding by local authorities by the end of this Parliament. At this stage there are no firm indications of how this will work and we await a consultation on proposals in the summer of 2016.
- 4.2 The provisional settlement set out the provisional funding position for 2016/17, and an indication of the position for the following 3 years. The Government intend to consult further on whether authorities wish to accept a “4 year” settlement.
- 4.3 The headline cash reduction in Taunton Deane’s Government funding is 16.2% for 2016/17. As stated in my background to this assessment, the real issue for TDBC is in future years when we see RSG reducing to nil, NHB potentially reducing significantly due to policy change, and a “tariff adjustment” effectively introducing negative RSG. This means the challenges predicted in our MTFP are “real” – and

significant change is ahead.

- 4.4 The Government has announced the referendum trigger level will continue to be 2% except for Police and Crime commissioners and shire district authorities which are in the lowest quartile. These authorities, of which Taunton Deane is one, may increase their council tax by £5 before triggering a referendum. Parish Councils have not been subject to the referendum limit previously and are not for 2016/17.
- 4.5 There is no Council Tax Freeze Grant available for 2016/17 tax set, and the final grant settlement position will be confirmed in early February.
- 4.6 The Executive's draft budget proposes a £5 council tax increase – taking advantage of the freedom offered to low Band D authorities in the draft settlement. From a financial planning perspective, faced with the financial challenges ahead, it is sensible to maximise the income generating potential available and the increase in the base budget will improve the likelihood of being able to balance the budget in future years.
- 4.7 The Executive's draft budget proposal also now clarifies the position on the Somerset Rivers Authority (SRA), and how the flexibility offered by Government for 2016/17 will work in practice. The overall SRA budget for 2016/17 is £2.7m of which £67,987 is to be raised from the taxpayers of Taunton Deane by way of an additional tax charge – on top of the Councils increase – of £1.74 or 1.25% for a Band D property (equivalent to 3p per week).

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. The HRA Business Plan review will bring change to the spending plans and we will need to revisit the programme and supporting treasury plan at that point.

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.

Area of Budget	How is this addressed within the TDBC budget process?
	<p>Salaries – 1% for 2016/17 and 2017/18, then 2% thereafter.</p> <p>Utilities - based upon estimated contract increases.</p> <p>Pension Contributions – We will be paying 13.5% plus a lump sum of £1.220m in 2016/17.</p> <p>Major Contracts – as per the legal documents supporting the contracts</p>
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.
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	<p>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.</p> <p>The cost sharing arrangement in place to ensure both Taunton Deane Borough Council and West Somerset Council is currently being tested to ensure continued robustness.</p>
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 held at 1.0% per year 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	Corporate Scrutiny have been updated on the MTFP

Area of Budget	How is this addressed within the TDBC budget process?
budget development	position several times during the budget setting process. The savings proposals were also shared for discussion and, as usual, all Members were issued with a Budget Consultation Pack just before Christmas. All Councillors have had the opportunity to be briefed on the proposals during their Group Meetings in January 2016.
Changes in Legislation	Legislative changes are analysed by officers and their effect built into the MTFP and budget.
Sustainability	<p>The proposed budget takes into account the future financial pressures faced by the Council. Effective financial modelling for the medium term is in place, although there is some risk around confirmation of the 4 year forecast from Government.</p> <p>I am comfortable that best estimates have been used, but will need to continue to update our plans and forecasts as the various financial consultation conclude over the coming months.</p>
Sensitivity Analysis	<p>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.</p> <p>The Budget Consultation Packs issued to Members also provide data on tax choices – showing the impact on the Council of this important decision.</p>
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. Delivery of the proposals, if approved, will be the responsibility of the Management Team and progress on this will be monitored during the year. Should there be any risk to the delivery of the identified savings, this will be reported to Members via the budget monitoring regime.

8 PARTNERSHIP RISKS & OPPORTUNITIES

- 8.1 Having completed the first phase of JMASS, the focus is now to develop the

business case for transformation.

- 8.2 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.
- 8.3 The most significant arrangement, our Joint Venture with Southwest One is 8 years into a 10 year contract. A report to Full Council in January 2016 outlines the latest position on this and the preferred way forward. Successful delivery of this outcome is key to supporting our transformation ambitions.
- 8.4 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 currently has £92.198m of outstanding external debt (which is within our maximum borrowing level of £220m). The Council currently has £48m of investments (reducing to c£40m by year end) placed in the markets in accordance with our policies.
- 9.2 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.
- 9.3 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	%Variance of Approved Budget
2011/12	(£535,000)	(4.4%)
2012/13	(£707,000)	(5.4%)
2013/14	(£964,000)	(6.7%)
2014/15	(£222,000)	(1.7%)
2015/16	(£186,000)	(1.0%) forecast

- 10.2 In the context of a gross expenditure budget of £92m, the above results are acceptable. We continue to work on our forecasting to ensure that we are as accurate as possible to inform decision making throughout the year.

- 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 are currently being reviewed and updated.

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 as possible by following good practice, and by monitoring key financial risks on a regular basis.

13 KEY RISK ISSUES IN 2016/17 BUDGET

- 13.1 There are some areas of the proposed budget for 2016/17 that pose a financial risk moving forward. They are detailed below for Members attention. The figures in the proposed budget for 2016/17 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 16/17. 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.** These were previously funded by the National Pool but all appeals approved post 1/4/13 (regardless of how far they go back) will be funded 50:50 (Central Govt : Local Govt). The list of outstanding appeals for TDBC totals some £49m 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. The approach to appeals is likely to change when the Government conclude on their recent consultation on this matter. We will adjust our procedures accordingly.

On 21st January we were informed of a potential new risk emerging nationally on business rates, concerning some public sector premises potentially being granted charitable relief. This is very new, and very uncertain but would have a devastating impact on our business rates income – and on authorities up and down the country. We need to monitor this new issue as it develops – but meantime – my advice is to bolster our Business Rates Smoothing Reserve accordingly.

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. Again this will 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 is currently performing well, and is forecast to deliver an overall surplus to partners for 2015/16. The pool will continue for 2016/17 and Members will be briefed on progress.

Had we been sighted on the new emerging risk on appeals (see 13.3.1 above) we may have decided to withdraw from the pool for 16/17. The deadline for us doing this was 13th Jan and we were alerted to the risk on 21st Jan.

Until final figures are confirmed though the financial risk outlined to Members in November 2014 when we joined this pool remains. This is essentially that in a pooling arrangement the Government “safety net” mechanism does not apply. This is the “risk” element of pooling, and authorities are rewarded for taking this on by keeping more of any growth than they would have outside the pooling arrangement. This is very relevant should the new risk flagged in section 13.3.1 materialise.

- 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 Pooling arrangement will keep c£0.37.
- 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£1.0m at year end. This is an important means of mitigating fluctuations in Business Rates funding which would otherwise hit taxpayers.
- 13.4 **Council Tax Reduction Scheme.** Members have recently approved the new scheme for 2016/17. 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 **Housing Benefits / Subsidy.** We expect the administration grant we receive from Government to support this function to reduce further in 2016/17 and have budgeted appropriately. 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 The total benefit subsidy budget is approx. £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 **Interest Rates** – 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.
- 13.8 **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.
- 13.9 **Car Park Fee Income** – as with every year this is a risk area for the Council that will need to be monitored closely.
- 13.10 **Trading Account – Deane Helpline.** The Executive’s draft budget recognises the latest information on the expected financial position of the Deane Helpline (an anticipated trading loss of c£28k in 2015/16). The service delivered to the public is excellent, and this will continue in 2016/17, but the underlying financial position

is not affordable to the Council moving forward. 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.

- 13.11 **Joint Management & Shared Services** – The budget has been prepared based on the JMASS Business Case approved in 2013, and the latest information on the potential costs and savings across the two Councils.
- 13.12 **Overall Funding & Capacity Risk** – the level of Government funding has reduced again for 2016/17. 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.
- 13.13 **NHB Funding of Growth Ambitions** - the Government are consulting on policy changes on NHB which would result in less funding coming to TDBC from this route. Currently we direct the vast majority of this funding to fund growth projects and Full Council recently reviewed a programme of spend totalling £16m. This will need to be reviewed when the Government confirm their policy changes. It doesn't automatically mean the growth programme ambition needs to reduce – it may be we need to review alternative funding options.

14 ADEQUACY OF RESERVES

- 14.1 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.
- 14.2 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. There has been a report on this during 2015/16 – returning a total of £92k from earmarked reserves to the General Fund Reserve. There will be further scrutiny of key remaining earmarked reserves over the coming months.
- 14.3 The Executives draft budget for 2016/17 will rely on – as in earlier years - the use of a transfer from the New Homes Bonus Reserve of £392k.
- 14.4 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.
- 14.5 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

- 14.6 The predicted General Fund Reserve position is set out in section 17 of the main budget report. The Executive's proposed budget for 2016/17 does not require the use of any General Fund Reserves. The predicted balance on the General Reserve, having set the 2016/17 budget is £1.832m (£1.740m + £92k return from

Earmarked reserves). This will increase should the predicted underspend in 2015/16 materialise.

- 14.7 The minimum level of reserves which was last formally reviewed in 2013/14. The current policy is:

The General Fund Reserves should be maintained at a minimum of £1.5m (or £1.25m if being replenished via invest to save initiatives).

Having now formally reviewed this again for 2016/17 I feel this should increase to £1.6m (or £1.35m if being replenished via invest to save initiatives) in light of the challenges ahead.

Housing Revenue Account Reserve

- 14.8 The Housing Revenue Account balance is forecast to be £2.46m at 31 March 2016, before covering any 2015/16 overspend. The minimum level of reserves for the HRA is currently £300 per property (approx. £1.8m).
- 14.9 The budget proposal does not require the use of any reserves to support ongoing spending. The policy changes introduced by Government has required the Council to fundamentally review our 30 year HRA Business Plan. This work will conclude in the summer of 2016. The reduction in rental income over the period of the plan of over £187m means our original plans are no longer appropriate.
- 14.10 Although the level of HRA Reserves is comfortably above the minimum level set, the pressure on this area of our Council services will be significant. The minimum level of reserves will be reviewed as part of the Business Plan review.

Earmarked Reserves

- 14.11 The earmarked reserves have again been reviewed this year and balances have been returned to General Reserves where the earmarked reserve has no longer been required. The remaining reserves include the JMASS project reserve; New Homes Bonus reserve; self-insurance fund; asset maintenance, and the DLO trading reserve.

15 CONCLUSION

- 15.1 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 2016/17 to be sufficiently robust.
- 15.2 Whilst the budget for 2016/17 is balanced with clear savings plans in place, the medium term financial plan shows that we have a gap of £854k for 2017/18 which rises to over £3.057m by 2019/20. A significant challenge for our transformation programme. Members are fully aware that difficult decisions lie ahead and need to work together to progress this in the best interests of our community

Shirlene Adam

Director – Operations (s151 Officer)
January 2016

TAUNTON DEANE BOROUGH COUNCIL - INITIAL SERVICE OPTIONS 2016/17 (GENERAL FUND)

AD	Portfolio Holder	Service Option Heading	Description of the Service Option	2016/17 £	2017/18 £	2018/19 £	Cumulative Value £	Business Case: Service Impact Explained	Risk Management	Public Impact	Operational Impact	Confidence
INITIAL SAVINGS OPTIONS												
RS	Cllr Parrish	Deane House Waste Disposal	The contract price for waste disposal from DH can be reduced resulting from a contract price reduction.	5,000			5,000	No impact on service. Contract costs have reduced.	No risks	None	None	High
RS	Cllr Parrish	Equipment budget	This can be safely reduced based upon current levels of spend	2,000			2,000	No impact on service. Costs to be contained within reduced affordability limit.	No risks	None	None	High
RS	Cllr Parrish	Postage	Implement a strict second class post only policy except where there is a legal requirement for 1st class post. Based on current figures this could save £2k	2,000			2,000	More time will need to be spent by the FM team policing & challenging services to ensure we stick to the policy. Services will need to ensure they leave enough time to be able to issue items by 2nd class post	We're making assumptions about the being able to reduce the volume of 1st class post - if incorrect we risk not having enough budget. Postage costs could rise.	Low	Moderate	Medium
RS	Cllr Parrish	Annual Satisfaction Survey	Cease to undertake the survey which saves external production & packing costs.	800			800	There is no statutory requirement to issue a survey, although this is a key indicator for JMASS Phase 1.	Reduces level of assurance regarding the public's opinion of service delivery & our ability to benchmark	Low	Low	High
IT	Cllr M Edwards	Local Business Networks	Reduction in the level of support offered to local businesses, to assist them to invest and grow (eg reduction in the level of New Business and Rural Grants)	5,800	0	0	5,800	Reduction in the amount allocated to support local businesses and business networks from current amount of £35,800	No risk	Low	Low	high
IT	Cllr M Edwards	Supporting Inward Investment & Fulfillment	Reduction in the level of support offered to potential inward investors, through reduced marketing.	2,000	0	0	2,000	Reduction in marketing (eg advertisements, attendance at shows and exhibitions) to attract investors. Current budget of £20,000	No risk	Low	Low	High
IT	Cllr M Edwards	Marketing the area through culture	Reduction in Brewhouse Theatre Annual Grant incremental £7,600 each year for three years	3,800	7,600	7,600	19,000	year on year reduction by 5% in the level of annual grant to The Brewhouse Theatre and Arts Centre. A staged reduction should enable the TTA to secure alternative sources of income to offset the loss.	Medium risk	Medium	Low	High
IT	Cllr M Edwards	Marketing the area through culture	Reduced Arts Development Grants	1,200	0	0	1,200	The Council has a budget of £12,000 to allocate to arts organisations. Officers intend to redesign the grant fund to target it more accurately on the Council's aims, so a reduction would be in line with that strategy.	Medium risk	Medium	Low	High
IT	Cllr M Edwards	Marketing the Area to visitors	Removal of advertising grant for Taunton Visitor Centre	6,000	0	0	6,000	Officers allocated funding in 15/16 towards the marketing of the new Taunton Visitor Centre in its new location. Having become established for 9 months by April 16 that budget will no longer be required.	No risk	Low	Low	High

TAUNTON DEANE BOROUGH COUNCIL - INITIAL SERVICE OPTIONS 2016/17 (GENERAL FUND)

AD	Portfolio Holder	Service Option Heading	Description of the Service Option	2016/17 £	2017/18 £	2018/19 £	Cumulative Value £	Business Case: Service Impact Explained	Risk Management	Public Impact	Operational Impact	Confidence
BL	Cllr Parish	Legal	Legal Partnership Savings	4,350	0	0	4,350	Following the launch of legal partnership, there is greater confidence of budget requirement meaning current budget provision can be reduced	Significant fluctuations in demand for legal services would need to be funded, but this is no different to current position. Would need to be reflected in 'project budget' requests	None	Low	High
BL	Cllr M Edwards	Public Relations	PR post costs lower than initial estimate	6,000	0	0	6,000	Recruitment to this new post (approved last year) has been made on part-time basis, which meets operational need therefore budget requirement can be reduced.	No risks. Budget provision was made for full-time role, but considered demand can be met with part-time appointment.	Low	Low	High
BL	Cllr M Edwards	Public Relations	Reduction in PR overheads	3,000	0	0	3,000	Current cost trends are below current budget allowance therefore a saving can be implemented without significant risk to the service.	Service costs would be managed and contained within reduced affordability limit.	Low	Low	None
RB	Cllr M Edwards	Democratic Representation	Reduction in equipment funding needed for Members and mayoralty support	3,500	0	0	3,500	Stocks of equipment and consumables are sufficient to allow for a budget reduction. May need to revisit in 4-5 years time.	Risks are considered to be low.	Low	Low	High
PF	Cllr Parrish	Revenues and Benefits	Reduction in Service overheads	7,900	0	0	7,900	Service overheads budget requirement can be reduced based on current trend.	Service costs would be managed and contained within reduced affordability limit.	Low	Low	High
PF	Cllr Parrish	Revenues and Benefits	Audit fees	16,750	0	0	16,750	Audit fees no longer required as combined with reduced audit fee included in central budget.	Low risks identified	Low	Low	High
PF	Cllr Parrish	Finance	Service operating overheads	5,000			5,000	Cuts to a range of operating overhead budget headings, with service required to manage within a reduced cash limit. Savings made include areas such as publications, child care allowance, debt collection costs, private medical insurance.	Costs are discretionary and would reduce overheads to minimum level for current service demands and standards.	Low	Low	High
SL	Cllr Warmington	Voluntary and Community Centre Grants	Reduce 'small grants' pot and SLA's	40,000	0	0	40,000	Reduce 'small grants' pot by £14,810 to £20,000; Reduce SLAs with various VCS orgs by 14% saving £25,190 on the General Fund. However top up funding provided by the HRA will mean that the effect on grant recipients will be reduced to 10%.				
CH	Cllr Herbert	Removal or reduction of hanging basket displays	Reduce hanging basket displays, retaining 120 in Taunton and 44 in Wellington	10,000	0	0	10,000	Removal of the hanging baskets, retaining 120 in Taunton town centre and 44 in Wellington town centre	May impact on our ability for success in the In Bloom competitions	Med	Low	High
RS	Cllr Parrish	Print Room Apprentice role	Remove the Print Room Apprentice role from the structure (which has not been filled). We believe that, based on workload this year, this is achievable. without impacting on service delivery.	9,500			9,500	This vacant role has not been filled despite earlier recruitment attempts, and indications are that the additional capacity is not essential to meet service demand.	No risks identified	Low	Low	High

TAUNTON DEANE BOROUGH COUNCIL - INITIAL SERVICE OPTIONS 2016/17 (GENERAL FUND)

AD	Portfolio Holder	Service Option Heading	Description of the Service Option	2016/17 £	2017/18 £	2018/19 £	Cumulative Value £	Business Case: Service Impact Explained	Risk Management	Public Impact	Operational Impact	Confidence
Total				134,600	7,600	7,600	149,800					

Equality Impact Assessment – Engage Grant

Responsible person	Housing & Community Project Officer	
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Proposed new policy/service	
	Change to Policy/service	
	Budget/Financial decision – MTFP	✓
	Part of timetable	
What are you completing the Equality Impact Assessment on (which, service, MTFP proposal)	Service Level Agreement	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy/decision/service?	<ul style="list-style-type: none"> • Reduction of overall grants budget by 1st April 2016 	
Which protected groups are targeted by the policy/decision/service?	Age, Disability (including mental health), Low income groups, those experiencing Rural Isolation.	
What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used	<ul style="list-style-type: none"> • Viewed website • Read Service Level Agreement • Discussion with Engage • SLA monitoring visits • Business Plan • Partnership Outcomes 	
The information can be found on....	Completed EIAs can be viewed on TDBC website	
Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality		

A knock on effect may be experienced by organizations for which Engage provide volunteer referrals as these organizations may support protected groups.

I have concluded that there is/should be:

No major change - no adverse equality impact identified	
Adjust the policy/decision/service	
Continue with the policy/decision/service	✓ Actions will be undertaken to mitigate identified impacts.
Stop and remove the policy/decision/service	

Reasons and documentation to support conclusions: The membership list as displayed on the Engage website comprises a number of organizations which support people within the protected groups. There are also individual clients who will be within a protected group; this information comes via commentary from Engage. To avoid/mitigate impact on these, we will support Engage in identifying additional funders/funding in order to maintain existing service. We will support Engage in identifying areas where savings can be made to mitigate effect of grant reduction.

Section four – Implementation – timescale for implementation

Reduction of overall grants budget by 1st April 2016

Section Five – Sign off

Responsible officer: Housing & Community Project Officer	Manager: Housing & Community Project Lead
Date: 15.12.2015	Date: 16.12.15

Section six – Publication and monitoring

Published on
Completed EIAs are available on the TDBC website

Next review date	Date logged on Covalent
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Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table						
Service area	Housing and Communities			Date	12/10/2015	
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions	
<p>A number of organizations which support people within the protected groups are in themselves supported by Engage. There are also individual clients who will be within a protected group; this information comes via commentary from Engage.</p>	<p>Support Engage in identifying additional funders/funding in order to maintain existing service. For example: In November, the Housing & Community Project Officer supported Engage to identify possible funding via 'Supplying the South West Employment' for tenants tender. Engage have been contacted by a tenderer with the possibility of providing training & volunteering to enhance the provision.</p> <p>Support Engage in identifying areas where savings can be made to mitigate effect of grant reduction.</p>	<p>Housing & Community Project Team</p>	<p>March 2017</p>	<p>Once implemented Feedback obtained via monitoring visits.</p>	<p>Engage will not be limited to local authorities for its funding. In establishing relationships with additional funders, Engage may have an increased level of funding spread over a wider range of funders.</p>	

Equality Impact Assessment – North Taunton Partnership Grant

Responsible person	Housing & Community Project Officer	
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Proposed new policy/service	
	Change to Policy/service	
	Budget/Financial decision – MTFP	✓
	Part of timetable	
What are you completing the Equality Impact Assessment on (which, service, MTFP proposal)	Service Level Agreement	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy/decision/service?	<ul style="list-style-type: none"> • Reduction in overall grants budget 	
Which protected groups are targeted by the policy/decision/service?	The North Taunton Partnership works with a broad range of groups including those with protected characteristics. A substantial proportion of NTP service users are in the Age, Disability, Gender, Pregnancy & Maternity & Sexual Orientation groups.	
What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used	<ul style="list-style-type: none"> • Viewed website • Viewed range of activities • Read Service Level Agreement with TDBC • Read Newsletters • Monitoring visits • Accessed Business Plan • NTP Response to notification letter 	
The information can be found on....	Completed EIAs are available to view on TDBC website	
Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality		

As main users of the service the protected groups noted could potentially suffer negative impact as a result of service/budget cuts. Housing development within its service area may introduce a change in demographic. The NTP however state within their objectives "To promote the services we offer....especially to those who experience discrimination and exclusion" it is therefore possible to support them in this aim by identifying services which are crucial to these groups and to look for savings elsewhere. NTP could explore the possibility of establishing a bid writing team to secure funding to make up the shortfall. TDBC will offer support to achieve this. NTP could explore the possibility of making a small to reasonable charge for services which are currently free of charge eg The youth drop in & Community Pounds project.

I have concluded that there is/should be:

No major change - no adverse equality impact identified	
Adjust the policy/decision/service	
Continue with the policy/decision/service	✓ Actions will be undertaken to mitigate identified impacts.
Stop and remove the policy/decision/service	

Reasons and documentation to support conclusions:

Evidence of demographic of service users and pricing details is available via website, business plan and in monitoring of service.

Section four – Implementation – timescale for implementation

Savings must be achieved by 1st April 2016

Section Five – Sign off

Responsible officer: Housing & Community Project Officer	Manager: Housing and Community Project Lead
Date: 15.12.16	Date: 16.12.15

Section six – Publication and monitoring

Published on

Completed EIAs are available on TDBC website

Next review date

Date logged on Covalent

Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table						
Service area	Housing and Community			Date	6/10/2015	
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions	
<p>As main users of the service the protected groups noted could potentially suffer negative impact as a result of service / budget cuts. Housing development within its service area may introduce a change in demographic.</p>	<p>NTP exploring the possibility of developing the skills of one of their team as a bid writer to secure alternative funding to make up the shortfall. NTP consider small charges for services which are currently free. For example, the youth drop in. NTP to work in partnership with other providers to avoid duplication of provision and pool resources, thus saving time and gaining valuable funds. For example, in November, NTP were supported in identifying the possibility of additional funding and provision for the Priorswood Centre via involvement in the 'Supplying the South West Employment' for tenants' scheme. Also partnership working was</p>	<p>Housing & Community Project Team</p>	<p>March 2017</p>	<p>Once implemented Feedback obtained via monitoring visits.</p>	<p>An established bid writing team can source additional funding streams to bridge existing funding gaps and explore grant aid possibilities for new projects. NTP will gain experience, make new partnerships and work toward resilience and self-sufficiency.</p>	

	facilitated with another TDBC grantee in regard to this scheme and both groups are now in contact.				
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Equality Impact Assessment – Taunton Citizens Advice Grant

Responsible person	Housing & Community Project Officer	
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Proposed new policy/service	
	Change to Policy/service	
	Budget/Financial decision – MTFP	✓
	Part of timetable	
What are you completing the Equality Impact Assessment on (which, service, MTFP proposal)	Service Level Agreement	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy/decision/service?	<ul style="list-style-type: none"> • Reduction of overall grant budget 	
Which protected groups are targeted by the policy/decision/service?	Taunton CA provides services which reach across all of the protected characteristics. There is therefore the potential for all of these groups to be affected	
What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used	<ul style="list-style-type: none"> • Discussions held with TCA during monitoring visits. • Viewed TCA website • Study of agreement • AGM report • Partnership outcomes proforma • Response to notification of grant reduction • Consultation with Benefits & Revenue Manager: “I confirm that if funding was withdrawn from both Taunton Citizens Advice and West Somerset Advice Bureau, I think that it would inevitably increase the workload of the Revenues & Benefits Service. We refer many customers to these agencies so they can seek independent advice, particularly in money and debt management. The Revenues and Benefits Service is currently operating on minimal staffing levels and we simply do not have the capacity to cope with any increase in workload. The consequences of these agencies not being able to assist customers who are struggling to pay their rent or Council Tax, could result in a decline in our ability to collect money owed and increased homelessness, with knock on funding implications. In effect, withdrawing funding 	

The information can be found on....	could be a false economy". Centre may close for one day per week in response to funding reduction. Completed EIAs can be viewed on TDBC Website		
Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality			
I have concluded that there is/should be:			
No major change - no adverse equality impact identified			
Adjust the policy/decision/service			
Continue with the policy/decision/service	✓ Actions will be undertaken to mitigate identified impacts.		
Stop and remove the policy/decision/service			
Reasons and documentation to support conclusions Monetary reserves may be expended to maintain existing provision. This has been identified in AGM report & commentary. Savings may be achieved by a reduction in services other than those identified as of crucial importance to protected groups. Reduction of paid staff hour-age/combined roles within single post. Sourcing of additional funders possibly utilities (gas, electric, water, supermarkets) to fund posts. Partnership working in order to pool resources and secure joint funding.			
Section four – Implementation – timescale for implementation			
Savings must be achieved by 1 st April 2016			
Section Five – Sign off			
Responsible officer: Housing & Community Project Officer	Manager:	Housing & Community Project Lead	
Date: 15.12.2015	Date:	16.12.2015	
Section six – Publication and monitoring			
Published on Completed EIAs are available to view on TDBC website			
Next review date	Date logged on Covalent		

Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table						
Service area	Housing and Community			Date	5/10/2015	
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions	
<p>There is potential for all of the protected groups to be affected by cuts to services.</p>	<p>Undertake additional profiling work with TCA going forward.</p> <p>Support TCA to identify additional funders possibly utilities (gas, electric, water, supermarkets) to fund posts.</p> <p>Monitor and discuss any impact on funding reduction.</p> <p>Closure of the TCA Office – one day per week: Explore the possibility of funding the potential opening for one day a week for the sole purpose of TDBC tenants.</p> <p>November 2015 - Supported TCA in considering 'The Supplying the South west Employment' for tenants scheme in collaboration with another TDBC partner as a possible source of income.</p>	<p>Housing & Community Project Team</p>	<p>March 2017</p>	<p>Once implemented Feedback obtained via monitoring visits.</p>	<p>TCA will establish relationships with new funders.</p>	

Equality Impact Assessment – Taunton East Development Trust Grant

Responsible person	Housing & Community Project Officer	
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Proposed new policy/service	
	Change to Policy/service	
	Budget/Financial decision – MTFP	✓
	Part of timetable	
What are you completing the Equality Impact Assessment on (which, service, MTFP proposal)	Service Level Agreement	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy/decision/service?	<ul style="list-style-type: none"> • Overall reduction of grants budget • 	
Which protected groups are targeted by the policy/decision/service?	All of the protected characteristics are potential service users and could be affected by reduction in services eg Age, Disability, Gender, Gender reassignment, Marriage & Civil Partnership, Pregnancy & Maternity, Race, Religion & Belief, Sexual Orientation.	
What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used	<ul style="list-style-type: none"> • Link Centre website • Action Plan • Draft Business Plan • Monitoring Calendar • Notification response • Service Level Agreement • Commentary with Link and colleagues in other departments. 	
The information can be found on....	*Completed EIAs are available on the TDBC website	
Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality		
The Link Centre provides support, advice and sign-posting services to clients in an area of high social deprivation. Any reduction in their services could potentially		

have a negative effect on people in any of the protected groups noted unless efforts are successful in mitigating the impact of funding reduction.

I have concluded that there is/should be:

No major change - no adverse equality impact identified	
Adjust the policy/decision/service	✓ Actions will be undertaken to mitigate identified impacts.
Continue with the policy/decision/service	
Stop and remove the policy/decision/service	

Reasons and documentation to support conclusions:

Although protected groups would be negatively impacted by a funding reduction if services were affected, impact can be mitigated if additional funding sourced elsewhere is secured in order to maintain existing services.

Section four – Implementation – timescale for implementation

Savings must be achieved by 1st April 2016.

Section Five – Sign off

Responsible officer: Housing & Community Project Officer	Manager: Housing & Community Project Lead
Date: 15.12.15	Date: 16.12.2015

Section six – Publication and monitoring

Published on
Completed EIAs are available on the TDBC website.

Next review date	Date logged on Covalent
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Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table						
Service area	Housing and Communities			Date	12/10/2015	
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions	
A wide range of people from within the protected groups would be negatively impacted if services were cut as a result of funding reductions.	The Link Centre will be supported to source additional funders and navigate the grant application route.	Housing & Community Project Team	March 2017	Once implemented Feedback obtained via monitoring visits.	Additional funding will be secured and any negative impact caused by TDBC funding reduction will be mitigated. Link Centre staff will gain valuable skills in grant application and bid writing and the Centre will gain added security via a broader funding stream.	

Equality Impact Assessment – Wiveliscombe Area Partnership Grant

Responsible person	Housing & Community Project Officer	
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Proposed new policy/service	
	Change to Policy/service	
	Budget/Financial decision – MTFP	✓
	Part of timetable	
What are you completing the Equality Impact Assessment on (which, service, MTFP proposal)	Service Level Agreement	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy/decision/service?	<ul style="list-style-type: none"> • Reduction of overall grant budget 	
Which protected groups are targeted by the policy/decision/service?	The majority of the service users are in the Age category and the Disabled category of the protected characteristics, as well as rural exclusion.	
What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used	<ul style="list-style-type: none"> • Viewed website • Discussions held with WAP during monitoring visits. • Study of agreement • AGM report • Partnership outcomes proforma • Response to notification of grant reduction 	
The information can be found on....	*Completed EIAs are available on the TDBC Website	

Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality

Age: A significant proportion of service users are in the older age group.

Disability (inc mental, physical & sensory health): A lesser but also significant proportion of service users are disabled clients requiring form-filling assistance, sign-posting, transportation.

Rurality: a loss of service is likely to directly disadvantage people in rural areas who are without private transport.

I have concluded that there is/should be:

No major change - no adverse equality impact identified	
Adjust the policy/decision/service	
Continue with the policy/decision/service	✓ Actions will be undertaken to mitigate identified impacts
Stop and remove the policy/decision/service	

Reasons and documentation to support conclusions

In order to preserve the quality of the provision, reduction in funding should not exceed 10% of the overall grant. Savings may be achieved by a reduction in services other than those identified as of crucial importance to protected groups. Partnership working in order to pool resources and secure joint funding. Additional funders may be sourced in order to continue with existing provision.

Section four – Implementation – timescale for implementation

Savings must be achieved by 1st April 2016

Section Five – Sign off

Responsible officer: Housing & Community Project Officer

Date: 15.12.15

Manager: Housing & Community Project Lead

Date: 16.12.15

Section six – Publication and monitoring

EIA and supporting documents are available on TDBC website.

Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table						
Service area	Housing and Community			Date	5/10/2015	
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions	
Older clients, disabled clients and rural clients may be affected by reduced services	<p>Increase in charges for services or reduction in services which are not taken up by older clients. Increased charge to all service users (continue sliding scale).</p> <p>Source additional funders. For example in November 2015, informed WAP of the Cllrs' Community Fund as a possible means of additional funding.</p> <p>Discuss mitigation with WAP.</p>	Housing & Community Project Team	March 2017	Once implemented feedback obtained via monitoring visits.	Quality of work preserved, additional funding secured. Services may be identified as "protected" where they are of critical value to "protected groups".	

Equality Impact Assessment – Community Council for Somerset Grant

Responsible person	Housing & Community Project Officer	
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Proposed new policy/service	
	Change to Policy/service	
	Budget/Financial decision – MTFP	✓
	Part of timetable	
What are you completing the Equality Impact Assessment on (which, service, MTFP proposal)	Service Level Agreement	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy/decision/service?	<ul style="list-style-type: none"> Overall reduction in grants budget 	
Which protected groups are targeted by the policy/decision/service?	CCS work in particular with people who are vulnerable due to age, rural isolation, lower income & lower educational levels.	
What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used The information can be found on....	Viewed website Discussion with CCS Reports Study of agreement Partnership outcomes proforma AGM & Report Response to notification of grant reduction Commentary with other providers Completed EIAs can be viewed on TDBC website	
Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality		

Cuts in services could have negative impact on people from some of the protected groups, therefore savings need to be made in areas where these groups are not directly affected. In order to maintain existing level of provision CCS could consider alternative funding sources. CCS could identify means of competition in order to increase revenue other than by increase of fees which may drive business elsewhere. Avoid duplication of provision (community development, social policy and adjust accordingly.)

I have concluded that there is/should be:

No major change - no adverse equality impact identified	
Adjust the policy/decision/service	
Continue with the policy/decision/service	✓
Stop and remove the policy/decision/service	

Reasons and documentation to support conclusions:
 The reduction has to take place in order to meet the overall budget savings requirement. The mitigation actions will be put in place to limit the effect on services and impact on user groups.

Section four – Implementation – timescale for implementation

Savings must be achieved by 1st April 2016

Section Five – Sign off

Responsible officer: Housing & Community Project Officer	Manager: Housing & Community Project Lead
Date: 15.12.15	Date: 16.12.2015

Section six – Publication and monitoring

Published on
 All completed EIAs can be viewed on TDBC website.

Next review date	Date logged on Covalent
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Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table					
Service area	Housing & Communities		Date	8/10/2015	
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions
Consultancy fees not competitive; increase in fees may reduce take-up. CCS need to be competitive in ways other than cost in order to increase revenue. CCS need to secure additional means of funding. CCS need to check for duplication of provision and adjust accordingly.	Support CCS in sourcing additional funding. For example, advising CCS of the Cllrs Community Fund as a possible source of additional income. Assist in identifying ways to make services more competitive. Pinpoint areas where services are provided by other organizations.	Housing & Community Project Team	March 2017	Once implemented feedback obtained via monitoring visits.	CCS will offer more competitive services with improved take up. CCS will have a commensurate level of funding spread across additional funders. This may lessen the risk of future funding failure. Services will be provided that are not available elsewhere.

Equality Impact Assessment – Compass Disability Grant

Responsible person	Housing and Community Project Officer	
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Proposed new policy/service	
	Change to Policy/service	
	Budget/Financial decision – MTFP	✓
	Part of timetable	
What are you completing the Equality Impact Assessment on (which, service, MTFP proposal)	Service Level Agreement	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy/decision/service?	<ul style="list-style-type: none"> • Reduction in overall grants budget • Support Compass in identifying savings • Support Compass sourcing additional funders • Support Compass in making successful funding applications 	
Which protected groups are targeted by the policy/decision/service?	The target group for Compass Disability people with disabilities and their carers. Therefore any service cuts arising from grant reduction could potentially – unless mitigated - affect these groups.	
What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used	<p>Discussions held with Compass during monitoring visits</p> <p>Study of Agreement</p> <p>Viewed Compass Disability Services Website</p> <p>Business Plan</p> <p>Accounts</p> <p>Response to notification of potential grant reduction</p>	
The information can be found on....	Completed EIAs can be viewed on TDBC website	
Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality		

The Compass mission statement is “To enable and empower disabled people and carers to have independence, choice and control in their lives”. It is likely therefore that any reduction in services will impact on these user groups.

I have concluded that there is/should be:

No major change - no adverse equality impact identified	
Adjust the policy/decision/service	
Continue with the policy/decision/service	Actions will be undertaken to mitigate identified impacts
Stop and remove the policy/decision/service	

Reasons and documentation to support conclusions

It may be possible to maintain these important services for this protected groups by making savings/ sharing costs or by changing the format of the offering.

Suggestions: Use Council premises/ central locations where available to avoid incurring room hire/ transport costs, share forum costs with other speakers, who currently speak for free but who may be able to meet some of their equality duty by joining us (SCC/ PH) and so could be fairly requested to contribute, or seek a commercial sponsor for each forum. Also, **consider** combining meeting with others such as SDC. There are issues to consider so further conversations to be had. It may be that we drop one of the meetings and use an alternative format for engagement, for example, surveys. The forums are well considered and so dropping them completely would not be recommended as there is value in meeting and sharing experiences and developing comments.

There has been a reduction in attendance so ongoing monitoring and conversations about the most effective, not necessarily cheapest, means of engagement should continue: – (2014/15) 35/192. (2015/16) 13/186. One of hard to predict/ control costs is from supporting access needs; signer, transport etc – the drop in numbers may not be reflected in lower costs but there may be scope to seek volunteers/ work with students. This needs further follow-up.

Compass could introduce a charge for membership/newsletter. The latter is currently self-financing and seen as a recruitment tool, so potentially counterproductive. Other potential ways to increase overall income could come from; increased fees for consultancy, payroll, and increase room hire charges, reduction in staffing levels/ hours of paid staff, consider alternative means of funding via grant application. CDS are already very active in fund raising and use many volunteers, so there may be limited scope to improve this.

Section four – Implementation – timescale for implementation

Savings must be achieved by 1st April 2016

Section Five – Sign off

Responsible officer: Housing & Community Project Officer
Date: 16.12.15

Manager: Housing and Community Project Lead
Date: 16.12.15

Section six – Publication and monitoring

Published on
Completed EIAs can be viewed on TDBC website

Next review date

Date logged on Covalent

Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table						
Service area	Housing and Community			Date	6/10/2015	
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions	
Disabled people may be affected by funding/service cuts.	<p>Meet with CDS and with neighbouring authorities to further investigate and develop ideas, including:</p> <ul style="list-style-type: none"> • Exploring use of council premises/central location to avoid room hire • Share Forum costs with other speakers (SCC and Public Health) • Seek commercial sponsors for each event. • Consider working with other districts, such as SDC, to offer joint events. • Reduce events from two 			Once implemented Feedback obtained via monitoring visits.	<p>Savings will be made without negative affect on service users within the protected groups, and potentially improved experience for them.</p> <p>Service will be tailored and increasingly self-sufficient. Compass will become more resilient.</p>	

	<p>to once a year.</p> <ul style="list-style-type: none">• CDS consider increasing their fees/reducing staffing/submitting grant applications to cover the loss of revenue.				
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Equality Impact Assessment – Brewhouse Grant

Responsible person	Ian Timms	Job Title Assistant Director Business Development
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Reduction in Brewhouse core grant	
	Budget/Financial decision	
What are you completing the Equality Impact Assessment on (which policy, service, MTFP proposal)	MTFP Proposal for TDBC to reduce core grant over next three years. This assessment relates to 2016/17	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy?	<p>The core grant enables TTA to operate the Brewhouse as a theatre and cultural venue in line with the business plan agreed by council. The current grant is provided at £ 152,000 for 15/16. The proposal will be to reduce it incrementally as described below:</p> <p>16/17 £3800 from 1st October 2016</p> <p>17/18 £7600 from 1st April 2017</p> <p>18/19 £7600 from 1st April 2018</p> <p>This would in effect mean that the core grant would reduce by £19,000 over that period.</p> <p>The agreed business plan anticipated that the Core grant would reduce incrementally as the operation of the Brewhouse stabilises and audiences are built up.</p>	
Which protected groups are targeted by the policy?	The lease to the Brewhouse provides the grant to enable the theatre to operate. Due to the minimal reduction it is difficult to see any significant impact on any group. The size of the cut means that it can be managed against the growth of income streams within the Brewhouse.	

<p>What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used</p>	<p>Discussion with chair of trustees and chief Executive. Review of Scrutiny reports provided by Brewhouse. Attendance by designated TDBC officer at member representatives at regular monitoring meetings. Brewhouse board meeting attendance. General day to day engagement with Brewhouse.</p>
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Section two – Conclusion drawn about the impact of change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality

The reduction in funding in this way will have no significant effect. The reduction is planned with the Brewhouse being fully aware of the proposition. My judgement is that there will be no negative impacts caused by this reduction on the groups considered through equality legislation.

I have concluded that there is/should be:

<p>No major change - no adverse equality impact identified</p>	
<p>Adjust the policy</p>	
<p>Continue with the policy of removing the funding</p>	<p>✓</p>
<p>Stop and remove the policy</p>	

Reasons and documentation to support conclusions:

The funding cut is relatively small in terms of the overall grant provided. Brewhouse are able to manage this reduction through improving income streams and current budget management approach.

Section four – Implementation – timescale for implementation

As discussed with Brewhouse the reduction would be applied to the Quarterly payment of Grant from 1st October 2016.

Section Five – Sign off

<p>Responsible officer Ian Timms Date 15.01.16</p>	<p>Management Team Ian Timms Date 15.01.16</p>
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Section six – Publication and monitoring	
Published on 15.01.16	
Next review date N/A	

Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table					
Service area			Date		
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions
No action required although will maintain existing scrutiny of arrangements	No new actions required	Ian Timms	31 st March 2017	Board meetings, Finance reviews, business plan reports to scrutiny	Will identify any issues

Appendix K

Minimum Level of General Reserves

1. BACKGROUND INFORMATION

- 1.1 It is particularly pertinent when there are significant challenges to councils' budgets and when Central Government funding is falling at an exceptional rate, to consider how this risk is being mitigated and how exposed the Council is to adhoc events, risks and pressures.
- 1.2 With this in mind, the s151 Officer requested a review of reserves and for the minimum acceptable level of General Reserves to be challenged to establish whether it is appropriate and to benchmark against other councils to see how we compare and whether we are over exposed to risk.

2. APPROACH AND METHODOLOGY

- 2.1 Reserves are reviewed by this Council on an annual basis to give assurance that they are appropriate and adequate. Due to the constraints on the Council's budget it is not possible to mitigate against every eventuality and it would be imprudent to set aside funds simply as a percentage of net expenditure or "just in case". With the challenges associated with setting a balanced budget, earmarking reserves is an important exercise and each year a review is done to challenge the levels and intended use of these reserves. In some cases, earmarked reserves are deemed to be no longer required/too high and are returned to general reserves.
- 2.2 In order to arrive at an appropriate level, various publications were reviewed and the Council was benchmarked against its nearest neighbours in terms of size, demography, NDR value per head etc*:
- LAAP Bulletin 99 Local Authority Reserves and Balances
 - CIPFA Stats Nearest Neighbours Model*
 - Audit Commission "Striking a Balance" Questionnaire
 - CIPFA Delivering Good Governance in Local Government

3. MITIGATING RISK – GENERAL RESERVES

- 3.1 The CIPFA LAAP Bulletin says "When reviewing their medium term financial plans and preparing their annual budgets, local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes":
- A working balance to help cushion the impact of uneven cashflows and avoid unnecessary temporary borrowing – this forms part of general reserves

- A contingency to cushion the impact of unexpected events or emergencies – this forms part of general reserves
- A means of building up funds to meet known or predicted requirements – via earmarked reserves (legally part of the General Fund)

- 3.2 As part of the review of the adequacy of the general reserves balance it is prudent to consider the particular risks that the Council faces and how these are mitigated by earmarked reserves and other mechanisms.
- 3.3 There are a number of general risks which are relevant to all or most councils and for the most part are mitigated with a robust approach to budget setting in the MTFP. These include inflation and interest rates; the timing of capital receipts; demand led pressures; the delivery of efficiency savings; the availability of Government grants and general funding and the general financial climate. These risks are considered at every stage of the budget setting process and the experience of the s151 and senior finance officers will be fundamental in identifying and addressing the pressures relating to these risks.
- 3.4 An indicator of the risks particular to the Council is the Risk Register. This captures those risks which need to be managed and monitored as they can potentially have a very detrimental effect on the financial or reputational standing of the Council.
- 3.5 An indicator of the risks particular to the Council is the Risk Register. This captures those risks which need to be managed and monitored as they can potentially have a very detrimental effect on the financial or reputational standing of the Council. We have therefore used the Council's risk register as the starting point for the risk matrix.

4. QUANTIFYING THE FINANCIAL RISK

- 4.1 The risk-based assessment gave a range of appropriate "minimum" general reserves levels as £1.6m to £1.9m. With consideration to the challenges the Council faces from falling Central Government funding and a need for radical transformation it is prudent to recommend that the minimum reserve level be increased to £1.6m. The minimum balance could be reduced to £1.35m to fund an invest to save scheme which would repay within three years.

5. STRIKING A BALANCE QUESTIONNAIRE

- 5.1 The Audit Commission's questionnaire is a good aide memoire to highlight the areas a Council should consider when assessing the minimum level of reserves. It also draws on benchmarking to establish how other councils mitigate their risks. This questionnaire and the CIPFA stats Nearest Neighbour Model were used to benchmark against 15 other councils which

have similar attributes. The average minimum level of general reserves for the 13 councils for which budget levels were available, was 13.69% as opposed to the 11.85% that Taunton Deane Council currently holds.

6. CONCLUSION AND NEXT STEPS

- 6.1 The risk assessment and Audit Commission questionnaire are useful tools in establishing Taunton Deane's minimum level of general reserves. This must be caveated with the assertion that if the Council relies on reserves to address a budget gap it will be immediately exposed to a heightened risk if it does not remain above the minimum level.
- 6.2 **With reference to the analysis that has been undertaken and with attention to the risks that the Council faces, a recommendation is made to increase the minimum level of reserves to £1.6m.**

Taunton Deane Borough Council

Executive – 4 February 2016

Draft Housing Revenue Account (HRA) Estimates 2016/2017

Report of the Finance Manager

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

IMPORTANT NOTICE FOR MEMBERS

In order for this item to be debated in the most efficient manner at the Executive meeting, Members are requested to contact the named officers at the end of this report in advance of the meeting with queries regarding points of detail or requests for further supporting information.

1 Executive Summary

This report presents the Executive's 2016/17 Budget for the Housing Revenue Account (HRA) for recommendation to Full Council for approval on 23 February 2016.

The Budget was previously presented to Members at Corporate Scrutiny on 21 January 2016.

Changes in national policy announced in 2015 have greatly affected the long term financial position of the HRA, and a fundamental review of the HRA Business Plan is underway. Income forecasts over the term of the Business Plan have reduced dramatically, meaning current forecast spending is unsustainable.

The proposed **average rent for dwellings in 2016/17 is £83.06 per week**. This represents a **decrease of 1.0% or £0.84 per week**, which is in line with the amended national rent policy.

The proposals included within this report would enable the Council to set a balanced budget for 2016/17, with the ongoing position to be addressed within the Business Plan Review.

2 Background

- 2.1 The purpose of this report is for the Executive to consider and finalise its Draft Housing Revenue Account Budget proposals for 2016/17, for recommendation to Full Council on 23 February 2016.
- 2.2 2016/17 will be the fifth year of operating the HRA under self-financing. Members will be aware that the Council took on self-financing debt of £85.2m in March 2012.
- 2.3 A fundamental review of the HRA Business Plan was scheduled for 2015/16, and to support this funding was made available from 2014/15 underspends. Changes in national policy announced in 2015 have greatly affected the long term financial position of the HRA Business Plan, making this review essential.
- 2.4 A summary of the proposed legislation affecting the HRA that has been announced in 2015:

Welfare Reform and Work Bill

- Reduction in Social Housing Rents - Social housing rents will be reduced by 1% each year up to 2020
- Further Welfare Reforms

Housing and Planning Bill

- A Right to Buy for housing association tenants
- Duty to consider selling vacant high value local authority housing – Local authorities will be expected to sell vacant 'high value' housing and transfer the funds to the Secretary of State
- Pay to stay - higher rents for social tenants with household income of over £30,000 per year with additional income transferred to the Secretary of State

Spending Review and Autumn Statement 2015

- Housing Benefit in social housing capped to Local Housing Allowance Rates

- 2.5 A summary of the overall Draft HRA Budget 2016/17 is included in Appendix A.

3 Dwelling Rent Levels for 2015/16

- 3.1 Dwelling rents for approximately 5,800 properties currently provides annual income of over £24m for the HRA.
- 3.2 The Welfare Reform and Work Bill sets out a 1% annual reduction in all social rents from 1st April 2016 for 4 years. This negates the 10 year national rent policy for social housing that was implemented in April 2015, and greatly reduces the income expectations for the HRA. The 10 year rent policy included annual increases in dwelling rents of the Consumer Price Index (CPI) plus 1%.

- 3.3 There has been no confirmation that rents will be different than the policy of CPI +1% after the four year rent reduction. However the more prudent expectation that they will reduce to increasing by CPI only is also being modelled. Below is a table showing the annual reduction in rent for the next five years, when compared to the Business Plan.

Table 1: Reduction in Dwelling Rent Income Compared to the Business Plan

	Reduction in Rent Income Compared to Business Plan				
	2016/17	2017/18	2018/19	2019/20	2020/21
Impact of lower inflation (-0.1%)	439,900	459,000	472,400	487,000	501,800
Additional impact of change in social housing rent policy:					
If rent policy returns to CPI + 1% from 2020/21 to end of 10 year Rent Policy	461,100	1,465,500	2,480,000	3,510,100	3,609,200
If rent policy returns to CPI only from 2020/21	461,100	1,465,500	2,480,000	3,510,100	3,845,600

- 3.4 When forecasted over the length of the Business Plan, this reduction in rent represents a significant reduction in income to the HRA.

Table 2: Cumulative Reduction in Dwelling Rent Income Compared to the Business Plan

	Cumulative Totals		
	5 Years (to 2020/21)	To end of current 30 Yr Business Plan 26 Years (to 2041/42)	Full 30 Yrs (to 2045/46)
If rent policy returns to CPI + 1% from 2020/21 to end of 10 year Rent Policy	13,886,000	124,124,200	150,455,400
If rent policy returns to CPI only from 2020/21	14,122,400	154,054,000	187,811,300

- 3.5 Inflation is currently lower than the 1.7% assumption used in the current Business Plan and so this figure would not have been fully achieved under the previous rent policy. CPI in September 2015 (the month used for rent increases) was -0.1%. This would have led to rent increases of 0.9% (CPI of -0.1% plus 1%) for 2016/17, which would have increased rent dwelling income by £461k.
- 3.6 Local Authorities have previously had the power and duty to set their own rents, however the Welfare Reform and Work Bill no longer allows for rents to be above a 1% reduction. This will be enforced through Chapter 6 and 7 of Part 2 of the Housing and Regeneration Act 2008.

3.7 In line with the national rent guidance it is **proposed that the average weekly rent for dwellings for 2016/17 should be set at the guideline rent of £83.06, a decrease of 1.0% or £0.84 per week.**

3.8 The rents for 2016/17 calculated from the formulae are:

		2015/16	2016/17	% increase
Average rent	<i>Rent as per Rent Guidelines (with uplift of CPI+1% from 2015/16)</i>	£83.90	£83.06	-1.0%
Rent under old rent system (without convergence)	<i>With uplift of CPI+1 %</i>		£84.66	0.9%
Proposed average weekly rent			£83.06	-1.0%
Total decrease over previous year £p			-£0.84	
Total decrease over previous year %			-1.0%	

3.9 Housing Rent income budget estimates have also been rebased, reflecting the number of dwellings lost through Right to Buy and development has also been rebased, with a net reduction in numbers. This has reduced the rental income expected in 2016/17 by £97k in 2016/17. The rental income is expected to increase as the 60 dwellings at Creechbarrow Road are handed over, however losses through Right to Buy will continue.

3.10 The level of rent lost through void properties is set in the Business Plan at 2% of total rent due. The rate currently being experienced is much lower than this (currently just under 1%). Adjusting this figure in 2016/17 (for one year only) increases the rental income budget by £158k.

3.11 In total the expectation in dwelling rent income has reduced by £840k, as can be seen in the table below:

	£k	£k
Rental Income As Per Business Plan		25,470.9
Impact of lower inflation	(439.9)	
Change in rent policy to -1.0%	(461.1)	
Change in dwelling numbers	(97.0)	
Change in budgeted void level	158.0	
		(840.0)
Updated Rental Income		24,630.9

4 Other Income

4.1 Around 8.1% of HRA income, or some £2.15m in total, comes from non-dwelling rents (mainly garages but also shops, hostels and community centres), charges for services and facilities, and contributions to HRA costs from leaseholders and others. The proposed changes to specific budget lines, reflecting changes approved by Full Council in December 2015, are:

4.2 **Non Dwelling Rents:** a 0.8% increase, standard inflation (RPI) amount as at

September 2015 (last year 2.3%).

- 4.3 **Charges for Services and Facilities:** a 0.8% increase (last year 2.3%). 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.
- 4.4 **Sheltered Housing Service Charges:** a separate review of Sheltered Housing has been undertaken, and service charges set at a flat rate of £10.93 for 2016/17. This represents no increase on the average charge for 2015/16, with all existing tenants being protected on their current rates should their individual rates increase.
- 4.5 Following the approval that tenants in receipt of Housing Benefit with a Piper Lifeline will be subsidised by the HRA, a reduction in income of £151.8k is expected.
- 4.6 **Contributions towards expenditure:** from the General Fund to cover a share of costs in the HRA for work done on estates where people have bought their homes under Right to Buy. (There are approximately 4,000 privately-owned homes on HRA estates, compared to around 5,800 total HRA stock; those private households pay their share of HRA estate-management costs through their council tax and the General Fund.)
- 4.7 **PV Income:** following the installation of photovoltaic panels on a number of houses, Feed In Tariff income of £160k is expected in 2016/17.
- 4.8 Somerset County Council continues to purchase Supporting People services from a range of providers including TDBC.

5 Expenditure

- 5.1 Below are brief descriptions of the main areas of spending with explanations of any significant changes to the currently approved Business Plan.
- 5.2 **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 corporate inflation assumptions. Key points for 2016/17 are:
- a) Shared service 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 £67k lower than in 2015/16. This includes an increase in contribution towards past service pension costs.
 - b) The inclusion of £150k relating to costs associated with a range of projects within the housing service. These result from both changes in Government policy, and other areas where we have identified the requirement to improve our service. These costs will be incurred for a period of

approximately two years. Key projects include:

- Improving our statutory compliance arrangements in areas such as asbestos management and fire safety
- Improving asset management arrangements in preparation for the need to dispose of assets in line with Government policy to fund the extension of Right to Buy via disposal of Council property
- Action plan to respond to the most recent Tenant and Leaseholder satisfaction survey results showing a downward trend in satisfaction.

5.3 **Maintenance:** The cost for 2016/17 is expected to decrease by £170k. This equates to spend of around £1,090 per property, based on the service's best estimate of work that can be carried out. Key points for 2016/17 are:

- a) The Pre-Planned Maintenance (PPM) contract is expected to be £300k lower than the estimate in the Business Plan. However, this could vary depending on the amount of works needed.
- b) The amount of asbestos works currently funded within Specialist Works is expected to be higher than currently budgeted due to more tests being carried out. This is expected to last a number of years.
- c) Heating works have been reduced in line with current forecasts.
- d) The amount put aside to cover the cost of works up to the insurance excess (£250k), is being reduced from £100k to £50k. The average amount over the last three years is £43k and there is an earmarked reserve should any larger works be needed.
- e) General Maintenance has been increased by £158k for one year only. This is funded from the one-off increase in rental income, due to a reduction in void loss (paragraph 3.10).

5.4 **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. There is an increase in budget for Sheltered Housing in 2016/17 relating to the new service provision, and the new way in which Supporting People funding is to be used. This was taken into account with the Sheltered Housing Service Charges report.

5.5 **Provision for bad debts:** The Business Plan includes a planned three year rise in the provision for non-payment of rents and other charges - from 0.5% of rental income to 2%. This is due to expectations of higher rates of bad debt relating to Welfare Reform. The three year period ends at Q3 2016/17, with three quarters of the year at 2% and one quarter of the year at 0.5%. Therefore the overall provision reduces from £515k 2015/16 to £415k in 2016/17.

5.6 **Depreciation:** cash reserved in the Major Repairs Allowance (MRA), increased in line with expected national accounting rules and used towards £6.72m capital work that maintains housing stock in good condition.

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

- 5.8 **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 £1m in 2016/17, in line with the Business Plan.
- 5.9 The interest payable on debt is expected to be lower than the Business Plan by £213k. This is because the additional borrowing for approved schemes such as Creechbarrow Road and the Phase 1 sites does not need to be externally borrowed during 2016/17. 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 is currently expected to be in 2017/18 and so this saving relates to 2016/17 only. This does, however, reduce the amount of interest received on investments (paragraph 4.9), but to a lesser extent due to the differences in interest rates.
- 5.10 **Interest receivable:** is based on an estimated interest rate on investments.
- 5.11 **Social Housing Development Fund:** is the revenue contribution made towards developments such as Creechbarrow Road and Weavers Arms. It remains at £1.0m in 2016/17.

6 Appropriations

- 6.1 **Transfers to General Fund:** This was previously the estimated procurement savings being achieved within the HRA through the Southwest One procurement team and recorded through the Benefits Tracking System (BTS). The cost of the Transformation Project has now been fully funded and any ongoing procurement savings will be retained by the HRA. This represents a one-off saving of £177k in 2016/17 compared to the Business Plan.
- 6.2 **Revenue Contribution to Capital (RCCO):** RCCO pays for capital work costing more than the £6.72m Major Repairs Allowance (MRA) noted in paragraph 5.6 above and the £1m Social Housing Development Fund allocation. The Draft Capital Programme is £8.589m for 2016/17, which includes £0.86m investment proposed to be funded from RCCO.
- 6.3 If the proposals in paragraph 7.3 are not approved, this would increase the RCCO cost by £0.125m.

7 Summary of Movements in Draft 2016/17 HRA Budget Estimates

- 7.1 As reported in the December Consultation Pack the estimated budget gap for 2016/17 was £386k.
- 7.2 The following table provides a summary of the main changes to draft budget estimates for the HRA Revenue Account, including the proposals to deliver a balanced budget in 2016/17.

Budget Area	Reference Paragraph	£k
Balanced Budget for 2016/17 in Business Plan		0
Dwelling rents	3	998
Piper Lifeline (as agreed at Full Council 15/12/2015)	4.4	152
Specialist works	5.3	67
Pre-Planned Maintenance	5.3	(300)
Responsive heating	5.3	(100)
Self-Insurance Fund	5.3	(50)
Interest payable	5.8	(213)
Procurement Savings	6.1	(177)
Shared Services Costs	5.2	(67)
Housing Service improvement projects	5.2	150
Other minor changes		(74)
Budget Gap as Reported in the December Consultation Pack		386
Reduction in dwelling void loss assumptions	3.10	(158)
General maintenance	5.3	158
Updated Budget Gap		386
Proposals for achieving a balanced budget in 2016/17		
RCCO - Related Assets 2016/17		(125)
Use of earmarked reserves from reduced RCCO for Related Assets in 2015/16		(24)
Provision for bad debt		(192)
Creechbarrow Hub running costs		(35)
Transfer Removal Grants		(10)
Balanced Budget for 2016/17		0

7.3 An overview of the proposals is as follows:

- Related Assets 2016/17 – Reduce RCCO by £125k by removing capital programme for Related Assets (garages, meeting halls, unadopted areas and sewage treatment works). There are currently no planned programmes for 16/17. Works would resume in 2017/18.
- Related Assets 2015/16 – Reduce RCCO by £24k by ceasing non urgent capital works on Related Assets in 2015/16, and earmarking this underspend to providing funding for the revenue budget in 2016/17.
- Provision for bad debt - The Business Plan allows for an increased provision for non-payment of rental income for a three year period due to Welfare Reform. This three year period is due to end in 2016/17. Universal Credit is now being rolled out across the Borough, but this is likely to take some time. Therefore the remaining provision would be made available over a three year period to better represent the expected impact on the HRA.
- Creechbarrow Hub - The Business Plan had allowed for the Hub to be in place in 2016/17, however it is not likely to be open until later in the year. Therefore savings will be made on the running expenses and salary of the

Hub Manager post.

- Transfer Removal Grants - Transfer Removal Grants (TRGs) are paid to tenants to incentivise downsizing to a smaller property. The budget was increased to £60k as part of the Welfare Reform measures, however it is expected that demand will at a lower level going forward.

8 HRA Reserves

- 8.1 As set out in the HRA Business Plan the recommended minimum unearmarked reserve balance for the HRA is £1.8m (approx £300 per property). The reserve balance as at 1 April 2015 was £3.484m, however with a number of approved changes during the year, the current balance is £2.458m. This does not include any 15/16 forecast overspends, or any further supplementary estimates in 2015/16. If the proposals in 7.2 are approved there are no budgeted transfers to or from this balance in 2016/17.

9 Corporate Scrutiny Comments

- 9.1 Corporate Scrutiny Committee considered the draft 2016/17 HRA Budget at its meeting on 21 January 2016. There are no formal comments or recommendations provided for the Executive to consider in finalising its budget proposals.

10 Finance Comments

- 10.1 This is a finance report and there are no additional comments.

11 Legal Comments

- 11.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 (the "1989 Act") to keep a Housing Revenue Account (HRA) unless the Secretary of State has consented to their not doing so. The account must show income and expenditure coming from the Council's activities as landlord under Part II of the Housing Act 1985. Section 75 of the 1989 Act sets out an obligation for the HRA to show the major elements of housing revenue expenditure – maintenance, administration, and contributions to capital costs – and how these are met by rents, subsidy and other income.
- 11.2 The Local Government and Housing Act 1989 'ringfenced' the HRA: local authorities can only include items in the HRA for which there is statutory provision, and transfers of income and expenditure between the HRA and the General Fund are only allowed in very specific circumstances. In essence, rents cannot be subsidised by transfers from the General Fund, and Council Tax cannot be subsidised by transfers from the HRA.
- 11.3 The reform of council house financing is taking place under authority of Part 7 Chapter 3 of the Localism Act 2011 (November 2011).

12 Links to Corporate Aims

- 12.1 The draft budget proposals for 2016/17 have been prepared in line with the current HRA Business Plan. The Housing Revenue Account is directly linked to the Affordable Housing corporate aim.

13 Environmental and Community Safety Implications

- 13.1 Environmental and community safety implications have been considered in arriving at the draft budget proposals.

14 Equalities Impact

- 14.1 A full Equalities Impact Assessment was included with the approved HRA Business Plan, upon which this budget is based.
- 14.2 The proposed rent increase will apply to all tenants and as such no potential discrimination amongst the protected groups has been identified.
- 14.3 To help support tenants on low incomes Housing Services will continue to provide a number of initiatives to enable them to manage their finances and maximise their income:
- Publish clear information on rent which helps tenants to manage their own finances;
 - Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs;
 - Take action to raise the awareness of accessing a range of welfare benefits; and
 - Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim.

15 Risk Management

- 15.1 The risks associated with the proposed budget have been considered, with a detailed risk analysis being undertaken through the update of the HRA Business Plan.

16 Partnership Implications

- 16.1 None for the purposes of this report.

17 Recommendation

- 17.1 The Executive recommends to Full Council the approval of the average rent decrease of 1.0% for 2016/17 in line with the Council's approved Rent Policy.
- 17.2 The Executive recommends to Full Council the approval of the Housing Revenue Account Budget 2016/17.

Background Papers

Executive 15 December 2015 – Fees and Charges 2016/17

Corporate Scrutiny 21 January 2016 – Draft Housing Revenue Account (HRA)

Estimates 2016/17

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PROPOSED HOUSING REVENUE ACCOUNT 2016/17

	2015/16 Budget £k	2016/17 Estimate £k	2017/18 Estimate £k	2018/19 Estimate £k	2019/20 Estimate £k	2020/21 Estimate £k
Income						
Dwelling Rents	(24,933)	(24,631)	(24,266)	(23,988)	(23,714)	(24,094)
Non Dwelling Rents	(589)	(600)	(612)	(624)	(636)	(648)
Charges for services/facilities	(1,008)	(1,005)	(877)	(896)	(916)	(937)
Other Income	(402)	(549)	(517)	(447)	(377)	(384)
TOTAL INCOME	(26,932)	(26,785)	(26,272)	(25,955)	(25,643)	(26,063)
Expenditure						
Maintenance	6,652	6,382	6,537	6,660	6,130	6,043
Management	6,742	5,942	6,652	6,176	6,339	6,454
Rents, Rates, Taxes and Other Charges	310	535	551	568	585	603
Special Services	987	1,215	1,241	1,147	1,090	1,114
Increase In Provision for Bad Debt	515	223	222	220	124	126
Capital Charges Depreciation	6,746	6,725	6,701	6,676	6,677	6,652
Debt Management Expenses	8	8	9	9	9	9
TOTAL EXPENDITURE	21,960	21,030	21,913	21,456	20,954	21,001
NET COST OF SERVICES (Surplus)	(4,972)	(5,755)	(4,359)	(4,499)	(4,689)	(5,062)
Other Costs and Income						
Provision for Repayment of Borrowing	893	1,007	0	1,628	3,500	3,500
Interest Costs	2,960	3,011	3,223	3,163	3,110	3,202
Interest Income	(51)	(80)	(60)	(60)	(60)	(60)
Capital Charges Credit (Contra Depreciation)	(6,746)	(6,725)	(6,701)	(6,676)	(6,677)	(6,652)
Appropriations						
Transfer to General Fund	323	0	0	0	0	0
Revenue Contribution to Capital (RCCO)	873	841	1,172	1,339	1,482	1,637
Transfer to Major Repairs Reserve	6,746	6,725	6,701	6,676	6,677	6,652
Social Housing Development Fund	1,000	1,000	1,000	1,000	1,000	1,000
Transfers from General Reserves	(1,026)	0	0	0	0	0
Transfers from Earmarked Reserves	0	(24)	(632)	(699)	(509)	(260)
SURPLUS) / DEFICIT	0	0	344	1,872	3,834	3,957

Taunton Deane Borough Council

Executive – 4 February 2016

Capital Programme Budget Estimates 2016/2017

Report of the Finance Manager

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

IMPORTANT NOTICE FOR MEMBERS

In order for this item to be debated in the most efficient manner at the Executive meeting, Members are requested to contact the named officers at the end of this report in advance of the meeting with queries regarding points of detail or requests for further supporting information.

1 Executive Summary

The purpose of this report is for the Executive to consider and finalise its Draft Budget proposals for the 2016/17 General Fund and Housing Revenue Account Capital Programmes, for recommendation to Full Council on 23 February 2016.

The 2016/17 proposals for General Schemes have been prepared in line with limited capital resources being available. In addition, the draft 5 year Programme reflects the Council decision in principle to support the £16m in growth and infrastructure projects, reflecting the Council's strategy of setting aside the majority of New Homes Bonus grant to provide funding towards these schemes.

The draft General Fund capital programme totals £1.054m and the draft HRA capital programme includes proposed investment of £8.589m in the Council's housing stock. This includes major works, including adaptations, on existing dwellings and improvements to related assets.

2 Purpose

2.1 The purpose of this report is for the Executive to consider and finalise its Draft General Fund Capital Programme and HRA Capital Programmes, for recommendation to Full Council on 23 February 2016.

3 2016/17 Draft General Fund Capital Programme

3.1 In December, Members were provided with the initial draft capital programme ideas as part of the Members Budget Consultation Pack. The Pack set out the bids received from budget holders, and these have subsequently been reviewed by Executive Councillors for the draft budget. 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

3.2 The proposed **Draft General Fund Capital Programme for 2016/17 totals £1.054m**. Table 1 details bids submitted by officers for DLO schemes and Table 2 details bids submitted for other General Fund Schemes. The tables summarise the bids that have been presented by services for consideration.

3.3 The current Capital Programme in 2015/16 includes approved projects totalling £3,833,612. A copy of this year's programme is included in Appendix A for background information.

Table 1: Bids Submitted for DLO Schemes

Scheme	Priority	Cost £k	Possible Funding Options				Total Funding £k
			RCCO £k	DLO Reserve £k	Capital Reserve £	Capital Grants £k	
DLO Vehicle Replacement	2	180	180				180
DLO Plant Renewal and Replacement	2	23	23				23
Ride on Mowers	2	60		60			60
Total		263	203	60			263

Table 2: Bids Submitted for General Fund Schemes

Scheme	Priority	Cost £k	Possible Funding Options				Total Funding £k
			RCCO £k	NHB Reserve £k	Capital Reserve £	Capital Grants £k	
Grants to Halls and Sports Clubs	5	10	10				10
Play Equipment	2	55	55				55

Scheme	Priority	Cost £k	Possible Funding Options				
			RCCO £k	NHB Reserve £k	Capital Reserve £	Capital Grants £k	Total Funding £k
Replacement							
PC Refresh	1	35	35				35
Waste Containers	2	93	50		43		93
Orchard Centre Car Park Improvements	2	126	126				126
Members IT Equipment	2	4	4				4
Parish Play Area Grant Scheme	5	10			10		10
Cremator Brick Work	2	20			20		20
Cemetery IT System	2	50			50		50
Disabled Facilities Grants	2	388				388	388
Total		791	280	0	123	388	791
Combined Total		1,054	483	60	123	388	1,054

Capital Schemes Explained

- 3.4 ***DLO Vehicle Replacement £180k:*** 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.
- 3.5 ***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.
- 3.6 ***Ride on Mowers x 2 £60k:*** To purchase two new replacement ride on mowers as part of the fleet replacement programme. This is proposed to be funded from the DLO Trading earmarked reserve.
- 3.7 ***Grants to Halls and Sports Clubs £10k:*** Annual capital grant scheme for awards to voluntary village halls, community centres and sports clubs. The 2016/17 Capital Budget for this scheme is £10k, and currently £10k is included within the RCCO budget estimates for 2016/17 for this scheme.
- 3.8 ***Play Equipment Replacement £55k:*** Annual capital scheme to replace play equipment within the Council's 104 children's playgrounds. The 2016/17 Capital Budget for this scheme is £55k, and currently £55k is included within the RCCO budget estimates for 2016/17 for this scheme.
- 3.9 ***PC Refresh £35k:*** 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 last year so the 2016/17 requirement has reduced from the usual £60k to £35k, and currently £35k is included within the RCCO budget estimates for 2016/17 for this scheme.

- 3.10 **Waste Containers £93k:** This provides an annual budget of £93k to purchase new and replacement waste and recycling containers (bins and boxes) as part of the ongoing costs of the Somerset Waste Partnership. Currently £50k is included within the RCCO budget estimates for 2016/17 for this scheme, with £43k to be funded from earmarked capital reserves.
- 3.11 **Orchard Road Car Park Improvements £126k:** This is the last year in a four year project for improvement works to the car park. It is fully funded by RCCO included within the revenue budget estimates for 2016/17.
- 3.12 **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 2016/17 for this scheme.
- 3.13 **Parish Play Area Grant Scheme £10k:** Capital grant scheme for parish councils and parish play area committees to apply for funding towards replacement play equipment and new playgrounds. Under the terms of the scheme the applicants may apply for up to 50% of the project cost subject to funding limits.
- 3.14 **Cremator Brickwork £20k:** The cremator brickwork requires repair and replacement. This scheme would take place over four years with £20k being the cost in 2016/17 and £139k over the life of the project.
- 3.15 **Cemetery IT System £50k:** The current IT system has been operational for nearly twenty years, unfortunately the platform it runs on is no longer supported by Microsoft and the current system has become outdated. The system holds statutory records for burial and cremation, manages accounts, memorial information and booking diaries.
- 3.16 **Disabled Facility Grants (Private Sector) £388k:** 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 it is currently estimated the Council will receive a grant of £388,000 from Somerset County Council's Better Care Fund, providing the necessary funding to make this scheme affordable. The actual grant for 2016/17 has not yet been confirmed therefore the same level of funding as 2015/16 is currently included in the draft capital budget.
- 3.17 The Executive is minded to support the proposed Capital Programme to incorporate all of the above bids, totalling £1.054m. This is affordable based on available funding, as shown later in this report.

4 Funding the Draft General Fund Capital Programme

- 4.1 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

4.2 Tables 1 and 2 above summarise the proposed funding of the Draft Capital Programme for 2016/17 and they show that the proposed Capital Programme for 2016/17 is fully funded through a combination of revenue contributions (DLO and General), capital reserves plus grant funding provided via SCC.

Funding Sources Explained

4.3 ***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.

4.4 ***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.

4.5 ***Grant Funding:*** The Council receives capital grant for Disabled Facilities Grant. The estimated grant for 2016/17 is £388k. 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.

4.6 ***Capital Contributions:*** This could take the form of capital contributions from other authorities or developers in the form of s.106 funding.

4.7 ***Revenue Funding (RCCO):*** The Council's draft budget includes an annual sum of £483k to fund capital expenditure from General Fund revenue budgets. For 2016/17 RCCO bids total £483k, which if supported through the approval of the 2016/17 Programme will fully commit the funding available.

4.8 ***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.

4.9 ***Capital Reserve:*** The Council has an earmarked Capital Reserve holding revenue resources previously set aside to fund capital spending. The current Reserve balance holds £483k in unallocated funds. The capital bids set out in Table 2 include four schemes that are proposed to be funded using £123k from this reserve, and would therefore reduce the unallocated balance to £360k (subject to any additional approvals made by the Council).

5 Capital Programme for Growth and Regeneration 2016/17

- 5.1 In addition to the above schemes which primarily deliver service continuity and improvements, Growth and Regeneration remains a top priority for the Council. This commitment has been reflected over recent years, by Members' allocation of New Homes Bonus (NHB) funding, primarily for growth and regeneration purposes.
- 5.2 At Full Council on 15 December 2015 Members also supported investment in principle of £16.6m from projected New Homes Bonus receipts towards a number of growth spend categories reflecting the priorities established in the Taunton Growth Prospectus and aligned with the relevant plans and priorities of key partners, such as Somerset County Council, Environment Agency, Local Enterprise Partnership and the business community. Having such funds allocated will enable the Council to respond quickly to commercial and funding opportunities to support growth, which in turn will facilitate the realisation of Taunton's economic vision and key economic benefits (as defined in the approved Taunton Growth Prospectus), such as: new homes, new enterprises, new and better jobs, increased employment land – new office space and industrial land, and a vibrant town centre.
- 5.3 Some £16m of the proposed £16.6m spend is expected to be recognised as capital expenditure (with revenue costs of £500k for Marketing, promotion and inward investment, and £100k for Preparation of Local Development Orders (LDOs)) and as such is included here as part of a proposed Growth Capital Programme (please refer to the Council papers for further background information). The table below shows the proposed capital costs which are planned to be funded from NHB receipts, in line with the Full council decision in December.

Proposed NHB Allocation and Indicative Spend Profile

Growth project / category	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	Total NHB allocation £
Taunton Strategic Flood Alleviation			1,000,000	1,000,000	1,000,000	3,000,000
Major transport schemes	400,000	800,000	1,000,000	300,000		2,500,000
Town Centre regeneration	500,000	750,000	750,000	500,000		2,500,000
Employment site enabling and innovation to promote Growth		2,000,000	2,000,000			4,000,000
Urban Extensions		1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
TOTAL CAPITAL COSTS	900,000	4,550,000	5,750,000	2,800,000	2,000,000	16,000,000

- 5.4 However the Autumn Statement and subsequent Provisional Settlement announcements suggested that Government consultation on a revision of the

NHB grant funding would effectively reduce the grant by a 1/3rd. The anticipated reduction in available future NHB funding has been updated within the MTFP.

5.5 Members are advised that reduced NHB would result in insufficient funds to cover all the proposed £16.6m spend within the anticipated timeframe (£16.0m capital and £0.6m revenue). The Council acknowledged this funding risk when it approved the investment in principle in December, and accepted that plans would need to be reviewed when updated funding information is confirmed. The following table shows the revised NHB forecast (which remains uncertain) and the gap in funding for the planned capital investment as a result.

5.6 In line with the resolution of the Council in December 2015, it is proposed to include £900,000 within the approved Capital Programme for 2016/17. Future years' investment remains indicative and subject to annual review.

Growth Capital Investment Funding

	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	Total NHB allocation £
Indicative Capital Spend	-900,000	-4,550,000	-5,750,000	-2,800,000	-2,000,000	-16,000,000
Indicative Revenue Spend	-600,000	0	0	0	0	-600,000
Revised Estimated NHB receipt	3,877,612	3,416,310	2,669,363	2,309,739	2,126,961	14,399,985
Less Allocation to annual GF Budget	-392,000	-392,000	-392,000	-392,000	-392,000	-1,960,000
* Balance / Shortfall (-)	1,985,612	-1,525,690	-3,472,637	-882,261	-265,039	-4,160,015

* Excludes any unallocated balance brought forward from 2015/16

6 2016/17 Draft Housing Revenue Account Capital Programme

6.1 The proposed Draft HRA Capital Programme 2016/17 totals £8.589m. 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 2016/17 to 2020/21, as identified in the Business Plan.

6.2 As Members will be aware a large scale stock survey has recently been approved. This survey will give greater understanding of the investment needed in our stock the coming years, up to the end of the Business Plan and therefore this is subject to change pending the outcome of the stock survey.

6.3 This report does not include schemes that have been previously approved where the spending is planned in 2016/17.

Table 3: Draft HRA Capital Programme 2016/17

Project	Total Cost £
Major Works	6,739,000
Improvements	155,000
Related Assets	0
Exceptional Extensive Works	260,000
Disabled Facilities Grants and Aids and Adaptations	435,000
Social Housing Development Fund	1,000,000
Total Proposed HRA Capital Programme 2016/17	8,589,000

- 6.4 Members are being asked to approve the Capital Maintenance and Improvement Works Programme budget for 2016/17 at £8.589m. This is slightly less than the amount included in the Members Budget Pack issued in December, as explained further below under Related Assets.
- 6.5 It is proposed that the HRA capital programme for 2016/17 shown above is funded from the Major Repairs Reserve (from depreciation) and revenue contribution (RCCO) from the base budget.
- 6.6 A summary of the estimated funding available before the funding of the 2016/17 capital programme is shown in the table below:

Table 4: Funding Estimates

General Fund	2016/17 £k
Major Repairs Reserve	6,725
Revenue Contribution to Capital Outlay (RCCO)	864
Social Housing Development Fund	1,000
TOTAL Funding	8,589

Major Works

- 6.7 This line in the capital programme covers a number of areas of spend. The council is required to maintain decent homes standards ensuring items such as bathrooms, kitchens, doors, windows and heating are replaced as and when needed.
- 6.8 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, any changes to the profile of spend will be agreed with the Director for the service.

Table 5: Major Works

Project	Total Cost £
Kitchens	120,000
Bathrooms	1,450,000
Roofing	100,000
Windows	50,000
Heating Systems	2,604,000
Doors	450,000
Fire Safety Work	225,000
Fascias and Soffits	750,000
Air Source Heat Pumps	680,000
Door Entry Systems	300,000
Cavity Wall Insulation	10,000
Total	6,739,000

6.9 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.
- Fascias, 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.
- Cavity Wall Insulation: The upgrade of cavity wall insulation in dwellings.

Improvements

6.10 This line in the capital programme also contains a number of areas of improvement spend identified through the HRA business plan. The detail of this budget is expected to be as shown in the table below but changes can be approved by the Director:

Table 6: Improvements

Project	Total Cost £
Sustainable Energy Fund	100,000
Environmental Improvements	50,000
Tenants Improvements Allowance	5,000
Total Improvements 2016/17	155,000

Related Assets

- 6.11 This line in the capital programme is for work to non-dwelling assets such as garages and sewage treatment works.
- 6.12 It is proposed that this budget is removed for a one year period. The reduction in Revenue Contribution to Capital Outlay (RCCO) would contribute towards the revenue budget gap in 2016/17. There are currently no planned programmes for 2016/17.
- 6.13 Works are expected to continue in 2017/18, however as with other capital budgets this will be revised within the Business Plan review.

Exceptional/Extensive Works

- 6.14 This project is for works such as asbestos removal and subsidence works to the Council's non-traditional properties. Survey work will be routinely undertaken every 5 years.

Disabled Facilities and Aids and Adaptations

- 6.15 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.

Social Housing Development Fund

- 6.16 The budget for the Social Housing Development Fund remains at £1m for 2016/17 and is for new development/redevelopment of housing.

7 Draft 5-Year Capital Programme

- 7.1 The draft 5-year capital programme is included for information and is shown in the table below.

Table 8: Draft 5-Year Capital Programme

	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	5-Year Total £k
Capital Programme	8,589	8,873	9,015	9,159	9,289	44,925

8 Corporate Scrutiny Committee Comments

8.1 Corporate Scrutiny Committee considered the draft 2016/17 Capital Programme. There are no formal comments or recommendations provided for the Executive to consider in finalising its budget proposals.

9 Finance Comments

9.1 This is a finance report and there are no additional comments.

10 Legal Comments

10.1 Managers have considered legal implications in arriving at the draft proposed budget for 2016/17.

11 Links to Corporate Aims

11.1 The draft budget proposals for 2016/17 have been prepared with consideration to links with the Corporate Aims.

12 Environmental and Community Safety Implications

12.1 Environmental and community safety implications have been considered in arriving at the draft budget proposals for 2016/17.

13 Equalities Impact

13.1 Equalities impact have been considered regarding the draft Capital Programmes for the General Fund and HRA. As the Disabled Facilities Grant budget included in the Draft Budget remains at the same level as 2015/16 – i.e. no change – there is no requirement to undertake a full EIA for this budget. Impact assessments in respect on investment within the HRA have previously been included with the HRA Business Plan which has guided the draft budget proposals.

14 Risk Management

14.1 The risks associated with the proposed budget have been considered by services when preparing capital bids.

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).

14 Recommendations

- 14.1 The Executive recommends approval by Full Council of the General Fund Capital Programme Budget of £1.054m for 2016/17, plus £900k in respect of Growth and Infrastructure Capital Budget in 2016/17.
- 14.2 The Executive recommends approval by Full Council of the HRA Capital Programme of £8.589m for 2016/17.

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Cost Centre Name	Budget Holder	Approved Budget 2015-16 £	Slippage 2014-15 £	Supplementary Estimates 2015-16 £	Total Budget 2015-16 £
Community Leadership					
Swim Pool PV Cells	Simon Lewis	-	-	-	0
Total Community Leadership		-	-	-	0
Corporate Resources					
PC Refresh Project	Fiona Kirkham	60,000	2,600	-	62,600
Members IT Equipment	Richard Bryant	-	-	-	0
IT Infrastructure	Fiona Kirkham	-	23,200	-	23,200
SCCC Loan	Brendan Cleere	-	-	-	0
Gypsy Site	Jo Humble	-	25,000	-	25,000
Joint Mgt & Shared Services Project	Shirlene Adam	-	14,600	-	14,600
Single IT Platform	Heather Tiso	-	-	-	0
Special Expenses Play Grants	Richard Bryant	-	-	-	0
Total Corporate Resources		60,000	65,400	-	125,400
Environmental Services					
Waste Containers	Chris Hall	50,000	2,200	-	52,200
Mercury Abatement	Paul Rayson	-	3,800	-	3,800
Crematorium Chapel Roof	Paul Rayson	-	155,000	-	155,000
Cemetery Extension - Crematorium	Paul Rayson	-	-	-	0
Cemetery Vehicles	Paul Rayson	-	-	-	0
Total Environmental Services		50,000	161,000	-	211,000
Housing Services					
Energy Efficiency	Julie Payne	-	29,900	-	29,900
Landlord Accreditation Scheme	Julie Payne	-	5,000	-	5,000
Wessex Home Improvement Loans	Julie Payne	-	10,400	-	10,400
DFGs Private Sector	Julie Payne	388,000	34,300	-	422,300
Grants to RSLs	Jo Humble	-	455,600	-	455,600
Deane Helpline Equipment Replacement	Richard Burge	25,000	-	-	25,000
Total Housing Services		413,000	535,200	-	948,200
Ec Dev, Asset Management, Arts & Tourism					
DLO Vehicles Acquisitions	Chris Hall	180,000	104,600	-	284,600
DLO Plant	Chris Hall	23,000	7,500	-	30,500
PT Longrun Meadow Bridge C	Tom Gillham	-	25,000	-	25,000
PT High Street Project	Tom Gillham	-	700	-	700
DLO System	Chris Hall	-	102,400	-	102,400
PT Castle Green	Tom Gillham	-	-	-	0
PT High St Retail	Tom Gillham	-	2,800	-	2,800
PT Urban Growth	Ian Timms	-	0	-	0
PT Coal Orchard	Tom Gillham	-	2,500	-	2,500
PT Signage	Ian Timms	-	200	-	200
Brewhouse	Closed Codes	-	5,000	-	5,000
Thales Site	Tom Gillham	-	10,000	-	10,000

Creech Castle Improvements	Closed Codes	-	375,000	-	375,000
Firepool Access	Tom Gillham	-	33,000	-	33,000
Relocation of Tourist Information Centre	Ian Timms	120,000	28,000	-	148,000
Depot Relocation	Tom Gillham	0	-	-	0
Total Ec Dev, Asset Management, Arts & Tourism		323,000	696,700	-	1,019,700
Planning, Transport & Communications					
Paul Street Car Park Major Repairs	Tracey-Ann Biss	-	-	-	0
Canon St Car Park	Tracey-Ann Biss	-	900	-	900
Car Park Improvements	Tracey-Ann Biss	126,000	42,200	-	168,200
Total Planning, Transport & Communications		126,000	43,100	-	169,100
Sports Parks and Leisure (excluding S106)					
Grants to Halls and Sports Clubs	Debbie Arscott	10,000	-	-	10,000
Grants to Parishes Play Equipment	Debbie Arscott	10,000	7,500	-	17,500
Replacement Play Equipment	Debbie Arscott	20,000	4,100	-	24,100
Station Road Swimming Pool	Alison North	-	27,700	-	27,700
Blackbrook Swimming Pool	Alison North	-	748,400	532,512	1,280,912
Total Sports Parks and Leisure		40,000	787,700	532,512	1,360,212
Total GF (excluding s106)		1,012,000	2,289,100	532,512	3,833,612

04/02/2016, Report:Treasury Management Strategy Statement, Annual Investment Strategy and MRP Policy 2016/17

Reporting Officers:Paul Fitzgerald

04/02/2016, Report:Earmarked Reserves Review

Reporting Officers:Steve Plenty

04/02/2016, Report:Capital Programme 2016/2017

Reporting Officers:Steve Plenty

04/02/2016, Report:General Fund Revenue Budget 2016/2017

Reporting Officers:Steve Plenty

04/02/2016, Report:Housing Revenue Account Budget 2016/2017

Reporting Officers:Steve Plenty

04/02/2016, Report:Corporate Strategy 2016/2020

Reporting Officers:Paul Harding

04/02/2016, Report:Somerset Waste Partnership Business Plan

Reporting Officers:Chris Hall

09/03/2016, Report:Community Asset Transfer Policy – Taunton Deane Borough Council and West Somerset Council

Reporting Officers:Tim Child

Contains exempt information requiring private consideration: Yes

Exempt reason:Yes. The report may contain some commercially sensitive information.

09/03/2016, Report:Q3 Performance Report

Reporting Officers:Paul Harding

09/03/2016, Report:Corporate Equality Objectives

Reporting Officers:Christine Gale

09/03/2016, Report:Q3 - Financial Performance report

Reporting Officers:Steve Plenty

09/03/2016, Report:Housing Revenue Account Business Plan Review

Reporting Officers:James Barra

24/03/2016, Report:Creedwell Orchard, Milverton Option Agreement – Proposed Extension of the Trigger Date

Reporting Officers:Adrian Priest

Contains exempt information requiring private consideration: Yes

Exempt reason:The report may contain a confidential appendix.

21/04/2016, Report:Empty Homes Strategy and review of Empty Property Coordinator

Reporting Officers:Mark Leeman

21/04/2016, Report:Superfast Broadband Phase 2 report

Reporting Officers:Ian Timms

09/06/2016, Report:Car park variable message signage and pay on foot – Request for budget allocation

Reporting Officers:Ian Timms

09/06/2016, Report:TDBC revised Corporate Debt Policy

Reporting Officers:Dean Emery

07/07/2016, Report:Housing Revenue Account Business Plan Review

Reporting Officers:James Barra

07/07/2016, Report:Q4 - Financial Outturn report

Reporting Officers:Steve Plenty

07/07/2016, Report:Q4 Performance Report

Reporting Officers:Paul Harding

04/08/2016, Report:Housing Company

Reporting Officers:James Barra

04/08/2016, Report:Report on Grants Policy

Reporting Officers:Christian Trevelyan,Mark Leeman

08/09/2016, Report:Review of Deane Helpline

Reporting Officers:Chris Hall

Contains exempt information requiring private consideration: Yes

Exempt reason:The report may contain some commercially sensitive information.

08/09/2016, Report:Update on Coal Orchard Consultation

Reporting Officers:Ian Timms

09/11/2016, Report:Review of Council Tax Support Scheme

Reporting Officers:Heather Tiso

09/11/2016, Report:Deane Lottery

Reporting Officers:Angela Summers

Executive – 4 February 2016

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

Officers: Shirlene Adam (Director – Operations), Chris Hall (Assistant Director –
Operational Delivery), Paul Harding (Corporate Strategy and Performance
Officer), Paul Fitzgerald (Assistant Director – Resources) and Richard
Bryant (Democratic Services Manager)

Also present: Councillors Aldridge, Gaines and Ross
Anne Elder, Chairman of the Standards Advisory Committee

(The meeting commenced at 6.15 pm.)

1. Minutes

The minutes of the meeting of the Executive held on 3 December 2015, copies of which had been circulated, were taken as read and were signed.

2. Declarations of Interest

Councillor Mrs Herbert declared a personal interest as an employee of the Department of Work and Pensions. Councillor Beale declared personal interests as a Board Member and Director of Tone FM and as a Governor of the South West Ambulance NHS Trust. Councillor Edwards declared a personal interest as the Chairman of Governors of Queens College.

3. Somerset Waste Partnership Draft Business Plan 2016-2021

Considered report previously circulated, concerning the Somerset Waste Partnership's (SWP) Draft Business Plan for the period 2016-2021. The draft Plan had been made available to Members.

Whilst the Business Plan had a five year horizon, Councillors were only requested to approve the plan for the financial year 2016/2017.

The Draft Business Plan and associated Action Plan were the means by which the partnership described its business, evaluated changes to the operating environment, identified strategic risks and set out its priorities. The plan had a five year horizon with particular focus on the next 12 months. It was the primary means to seek approval for and to secure the necessary resources to implement its proposals from the partner authorities.

The plan also set out the draft Annual Budget for the Waste Partnership for 2016/2017, which for Taunton Deane represented a relatively minor increase of £30,000 (1.1%) against a budget of £3,300,000.

Further reported that in recognition that costs needed to be controlled, a number of initiatives had been underway to evaluate the opportunities and impacts of future cost management choices.

Specifically trials had been undertaken in Taunton Deane which would continue to inform the nature of the service going forward for the entire partnership. These trials had made temporary alterations to the material types that were collected at the kerbside and the frequency of collections.

Noted that a separate paper would be brought to Members in due course to consider a new collection model once the Business Case for change had been completed. Therefore the budget presented for 2016/2017, made no assumptions on savings as a result of any new service model.

A number of key actions had been included in the Draft Action Plan and particular attention was drawn to the following which were large scale projects which could produce significant changes to service delivery, the level of recycled materials and therefore positive impacts on the contract costs:-

- Alternative refuse treatment; and
- 'Recycle More' - the new service model.

Comments on the Business Plan were requested by mid-February, to enable the Somerset Waste Board (SWB) to adopt both the Plan and its budget at its meeting later in the month.

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; and
7. Organisational efficiency.

The Draft Business Plan had been considered by the Community Scrutiny Committee on 5 January 2016 and details of comments raised were submitted for the information of the Executive. Overall the Committee was very supportive of the Business Plan.

During the discussion of this item comments were made about the lack of successful prosecutions for 'fly-tipping' and the possibility of speed reduction messages being applied to new 'wheelie bins' as a means of enhancing road safety – something other Councils had done. Councillor Berry who was one of the Council's representatives on the Somerset Waste Board undertook to raise these issues at the next Board meeting.

Resolved that:-

- (1) The Somerset Waste Partnership's Budget for 2016/2017 be approved; and
- (2) The content of the Draft Business Plan 2016-2021 be noted.

4. **Draft Corporate Strategy 2016-2020**

Considered report previously circulated, concerning the preparation and proposed adoption of the draft Corporate Strategy 2016-2020, a copy of which had been circulated to Members of the Executive.

This Strategy - which had been developed with input from Members - provided a clear direction for the organisation to follow; with four key priority areas where the Council would concentrate its efforts and resources between April 2016 and March 2020.

The key elements of the Strategy were:-

- refreshed high-level Corporate Priorities for the Council;
- design principles for the organisation;
- a refreshed vision; and
- clarity on the role and purpose of the Council.

It was felt the Strategy would lead to a more resourceful and responsive organisation that delivered outcomes to our communities in the most efficient and effective way and continued to play a key role in shaping Taunton Deane.

The Corporate Strategy was the key part of the 'Golden Thread' which set corporate objectives from which key actions flowed. This was illustrated in the following diagram:-



The Strategy was the product of a series of Member workshops which took place over the summer. These had been organised along broad geographical lines, based upon electoral wards.

These workshops were informal events which sought to identify and capture:-

- priority ward issues;
- priority district-wide issues (irrespective of which public body currently had responsibility for these issues);
- the role and purpose of the Councils; and
- the vision for the authorities.

From these workshops an initial draft of the Corporate Strategy had been prepared and consulted upon both internally and externally. With regard to the latter, details of the limited number of responses received from members of the public were submitted for information.

Further reported that the draft Strategy had been considered by the Corporate Scrutiny Committee at its meeting on 21 January 2016 where a number of specific comments were made for consideration by the Executive.

These comments had been assessed and it was agreed that the following alterations should be made to the text of the draft Strategy:-

- (1) Our Role and Purpose on page 3 – paragraph d) to be re-worded to read ‘Supporting – our communities, and in particular keeping rural communities alive, as well as the vital work carried out by the voluntary sector’;
- (2) Key Theme 1 on page 6 – the text in the highlighted box to read ‘Taunton Deane is growing and will have an increasing older population. These changes will require greater housing and employment provision as well as services which support the needs of an older population and our most vulnerable residents’. It was also proposed to reword paragraph c) to read ‘Work with others to support the wellbeing of an older population and our most vulnerable residents’;
- (3) Key Theme 3 on page 8 – paragraph d) to be re-worded to read ‘Ensuring our environment remains attractive including through street cleaning and grass cutting’; and
- (4) Key Theme 4 on page 9 – paragraph b) to be re-worded to read ‘Make better use of our land and property assets; investing in, transferring or selling assets where it makes sense to do so’.

It was also agreed that the other Scrutiny suggestions be noted but that no further alterations be made to the draft Strategy.

Resolved that subject to the above amendments being incorporated, Full Council be recommended to adopt the revised draft Corporate Strategy.

5. **Earmarked Reserves Review**

Considered report previously circulated, concerning the review of a number of earmarked reserves held by the Council for various purposes.

The level of earmarked General Fund reserves as at 31 March 2015 was £11,686,000. This was equivalent to 88.6% of the Council's Net Revenue Budget of £13,193,000. During the year transfers had taken place increasing this balance to £12,078,000.

A fundamental review had been undertaken of all General Fund Revenue Earmarked Reserves, with a view to balances being returned to the General Fund.

As a result of this review, there were various earmarked reserves, totalling £92,000, that were no longer required. Details of these reserves were submitted for the information of Members.

This matter had been discussed by the Corporate Scrutiny Committee at its meeting on 21 January 2016 where an alternative use of the Community Rights to Challenge Reserve was discussed particularly with regard to funding voluntary and community sector grants. Whilst it had been agreed to support the transfer of the reserves, the Executive was requested to consider the Voluntary and Community Sector Grants through its Revenue Budget proposals.

Resolved that Full Council be recommended to approve a Budget Return of £92,000 to General Reserves of surplus balances currently held in Earmarked Reserves.

6. **Draft Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy 2016/2017**

Considered report previously circulated, which detailed the recommended strategy for managing the Council's cash resources including the approach to borrowing and investments. Approval was also sought for the Treasury Management Strategy Statement and Investment Strategy (TMSS), the Annual Investment Strategy (AIS) and the Minimum Revenue Provision (MRP) Policy.

The draft recommended TMSS (which included full details of the Prudential Indicators), AIS and MRP Policy was submitted for the attention of the Members of the Executive.

It was noted that the Council currently had external borrowing of £92,200,000, which was all attributable to the Housing Revenue Account (HRA). The Bank Base Rate had remained at 0.5% for several years and was currently forecast to remain at this level until the third quarter of 2016.

Also noted that the Council's investment balances fluctuated and currently ranged between £22,000,000 and £52,000,000.

The TMSS and related policies had been prepared taking into account the 2011 revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the Code”) and the Department of Communities and Local Government’s Guidance on Local Government Investments (“the Guidance”).

The key principles of the Code were 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 stated that responsibility for treasury management lay clearly within the organisation and that the Strategy clearly stated the appetite for risk;
- That value for money and suitable performance measures should be reflected in the framework.

The Council’s Finance Officers had worked closely with Arlingclose, the Council’s Treasury Advisor, to consider the requirements of the Code and Guidance and determine the proposed TMSS, AIS and MRP Policy that ensured compliance and provided a set of ‘rules’ for the Council to follow in dealing with investments, borrowing and cash flow management.

Reported that the TMSS for 2016/2017 continued 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 continuing risks in the financial sector, the TMSS continued to build in greater “diversification” – so that surplus funds were held in a wider range of investments/accounts.

The Strategy looked to reduce exposure to risk and volatility at this time of significant economic uncertainty by:-

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

Further reported that the historically low interest rate situation had led to significant reductions in investment income in the past years which impacted directly on the Council’s budget.

The Council’s General Fund capital financing requirement (CFR) for 2016/2017 was £6,855,000 which was currently funded through internal borrowing. The Council’s HRA CFR for 2016/2017 was £110,571,000 which was currently funded through external borrowing of £92,198,000 plus internal borrowing of £18,373,000. The Government set a debt cap for the HRA which currently limited borrowing to £115,800,000.

With regard to the MRP Policy, it was recommended that the current approach which charged MRP at 4% per year, be moved to a new approach which proposed calculating MRP based on a weighted average asset life of 45.57 years. This equated to an MRP rate of 2.19% and had enabled the Council to release budget savings of £382,000 in 2015/2016 with continuing annual savings of £234,000 from 2016/2017.

Resolved that Full Council be recommended to approve:-

- (1) The Treasury Management Strategy Statement, Annual Investment Strategy, and revised Minimum Reserve Provision Policy as set out in the Appendix to the report;
- (2) The Prudential Indicators included within the Treasury Management Strategy Statement which included limits for borrowing and investments; and
- (3) The change to the Minimum Revenue Provision Policy to be applied with effect from 1 April 2015.

7. **General Fund Revenue Estimates 2016/2017**

Considered report previously circulated, regarding the Executive's 2016/2017 Draft Budget proposals, prior to submission to Full Council on 23 February 2016 for approval.

Each year the Council set an annual budget which detailed the resources needed to meet operational requirements. The annual budget was prepared within the context of priorities identified by Members which were embedded in the Council's Corporate Business Plan.

It had been well reported that the Council faced significant and continuing financial challenges, with annual reductions in Government funding for Local Council services as the Government sought to reduce the national deficit.

The Executive's Budget proposals had been presented to the Corporate Scrutiny Committee on 21 January 2016 for review and comment. Specific recommendations made by Members related to a request for the proposal to spend £40,000 on a Railway Feasibility Study to be removed from the draft budget and the savings option to reduce the Voluntary and Community Sector Grants by £40,000 be also removed. The Executive had indicated that both proposals would remain in the proposed budget.

It was further commented on by Scrutiny that the Equality Impact Assessments did not appear to be robust and complete. The Executive had examined this comment and was satisfied that they were robust and reflected feedback from stakeholders as to possible implications.

Details of the Provisional "Settlement Funding Assessment" for 2016 and 2016/2017 had been announced by the Department of Communities and Local Government (DCLG) on 17 December 2015.

The “headlines” from the Provisional Settlement Funding Assessment (SFA) were:-

- Settlement Funding cut by 16.2% in 2016/2017 - this comprises Revenue Support Grant (RSG) and Business Rates (BR) Baseline;
- RSG reduced by £738,372 (37.4%) compared to 2015/2016, from £1,973,509 to £1,235,137
- Rural Services Delivery Grant (RSDG) of £5,311 was included within RSG in 2015/2016 – this would be paid as a separate non-ringfenced grant in 2016/2017, and had been increased by £1,542 (29%) to £6,853;
- Council Tax Freeze Grant of £62,060 had been rolled into the RSG baseline at the start of 2016/2017 – and therefore would fall out of the Council’s funding by 2019/2020 when RSG would be nil;
- The Business Rates Baseline had increased by 0.8% from £2,457,951 to £2,478,434;
- New Homes Bonus (provisional) grant had increased by £698,960 (22%) to £3,877,610
- The Government had issued draft principles for referendums relating to Council Tax increases – and for this Council the maximum increase in 2016/2017 before a referendum was needed would be £5.00 on the basic tax rate (for a Band D) which equated to an increase of just over 3.5%; and
- Pending the establishment of the Somerset Rivers Authority (SRA) as a precepting body, Somerset County Council (SCC) and all the Somerset District Councils had an option to set a precept of up to 1.25% for the purposes of funding the SRA (this was separate to the £5 increase limit referred to above).

The provisional settlement also included other important information, details of which were shown below:-

- (1) The Government had confirmed its commitment that Local Government would retain 100% of Business Rates by the end of this Parliament;
- (2) A consultation on New Homes Bonus had been published, setting out options for reducing the number of years paid from six to four, together with other measures to ‘sharpen the incentive’ of the scheme;
- (3) Indicative four year funding information for RSG had shown this would significantly reduce – and for some Councils including Taunton Deane, reduce to nil – by 2019/2020;
- (4) As a consequence of (3) above, the Government was proposing to introduce an increase to the Business Rates Tariff Adjustment in order to ensure that cuts to funding across authorities over the four years were proportional – the indicative cut for Taunton Deane in 2019/2020 was forecast as £127,940;
- (5) The Rural Services Delivery Grant was projected to increase, with the national pot increasing from £15,500,000 in 2015/2016 to £65,000,000 in 2019/2020; and
- (6) The Government had issued draft statutory guidance which would permit local authorities to treat revenue costs “incurred on projects designed to reduce future revenue costs and/or transform service delivery” as capital costs during the periods 2016/2017, 2017/2018 and 2018/2019 – and such costs might be funded

from new capital receipts arising from the sale of assets in each year.

Reported that the Government had also indicated that it was prepared to offer any Council a four-year funding settlement to 2019/2020 if they published an efficiency plan. Although further details from the Government were awaited, the Executive was minded to consider this offer if it was in the Council's interest to do so.

General Fund Revenue Funding

Noted that the following table summarised the updated funding baseline:-

Provisional Settlement Funding Assessment headline figures

	2015/16 £k	2016/17 £k	Change £k	
Revenue Support Grant	1,973	1,235	-738	-37.4%
Business Rates Baseline	2,458	2,478	20	0.8%
Total Funding Baseline	4,431	3,713	-718	-16.2%

The report commented in detail on the following sources of General Fund Revenue Funding:-

- Revenue Support Grant;
- Rural Services Delivery Grant;
- Retained Business Rates;
- Retained Business Rates –Contingent Risk;
- Business Rates Pool;
- New Homes Bonus; and
- Housing Benefit and Council Tax Administration Grant.

Funding from Council Tax

The Council Tax Base of 39,072.86 Band D Equivalents had been approved under delegated powers by the Section 151 Officer.

The current annual basic tax rate towards the cost of Taunton Deane Borough Council services, for the average Band D property, was £137.88. The Executive proposal was to recommend a Council Tax increase of £5 in 2016/2017. For an average Band D property this would set a basic Council Tax rate of £142.88 per year (£2.74 per week), an increase of 3.62%.

Using the Council Tax Base for 2016/2017 the draft budget estimate for basic Council Tax income was therefore $39,072.86 \times £142.88 = £5,582,730$ (excluding parish precepts and special expenses). This represented a total increase in budgeted income of £295,232, as shown below:-

	£
Council Tax Income Budget 2015/16	5,287,498
Increase due to change in Tax Base (Band D equivalents)	99,868
Increase due to proposed £5 increase in Tax Rate	195,364
Estimated Balance as at 31 March 2017	<u>5,582,730</u>

Somerset Rivers Authority (SRA) Council Tax Precept

Through the Provisional Settlement the Government had also announced that the SCC and the five District Councils in Somerset could raise additional funding for the SRA by setting a precept based on up to 1.25% of each Council's 2015/2016 basic tax rate – which for Taunton Deane was £1.74 a year for a Band D. This would fund the Somerset Rivers Authority in 2016/2017 pending its establishment as a precepting body. The amount of additional Council Tax this would raise in Taunton Deane was £67,987. Assuming SCC also set a precept for the SRA at 1.25% this would raise a further £501,696 from Taunton Deane residents.

The overall opportunity across Somerset aimed to raise £2,700,000 in funding for the SRA in 2016/2017 to progress key workstreams within the Flood Action Plan including:-

- dredging and river management
- urban water management
- resilient infrastructure
- building local resilience

Reported that the Executive was minded to recommend to Full Council the SRA Council Tax Rate of £1.74 for a Band D in 2016/2017.

An increase in the Council's own basic tax of £5 plus the 1.25% increase to precept for the SRA meant a combined increase of £6.74 (4.89%) a year (13p per week) for a Band D. This would result in a total Band D charge for Taunton Deane of £144.62 on the Council Tax bills in 2016/2017. This was set out in the following table:-

Potential Tax Increase Including SRA Precept	
2015/16 Taunton Deane Basic Tax Rate (Band D)	137.88
SRA Council Tax (Basic Tax £137.88 + Special Expenses £1.12 = £139.00 x 1.25%)	1.74
Taunton Deane Basic Tax Rate increase proposed	5.00
Potential Band D Equivalent	144.62
Potential increase as a percentage	4.89%

Special Expenses / Unparished Area Budget

The previous Medium Term Financial Plan (MTFP) estimates assumed the Special Expenses Rate (SER) would be subject to a 1.99% increase in 2016/2017.

The Executive was however minded to recommend no increase to the Special Expenses Rate in 2016/2017 – keeping the Band D Unparished Area Rate at £2.98 per year as any increase in special expenses on top of the proposed increase to basic tax would require a referendum of local tax payers.

The Special Expenses income raised through Council Tax in 2015/2016 was £42,900 which was a Band D Equivalent charge per year of £2.98 for the unparished area of Taunton. In addition, the Unparished Area Budget had received a Council Tax Support (CTS) Grant of £6,030 in 2015/2016 giving a total budget for

the year of £48,930.

Noted that 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 2016/2017, by 1/3rd in 2017/2018 and therefore the current CTS grant was expected to be phased out by 2018/2019.

The proposed budget for 2016/2017 was therefore £47,382, funded as shown below:-

Special Expenses	£43,362
Grant for CTS	£4,020
Total Unparished Area Budget 2016/17	£47,382

Council Tax Support (CTS) Grant and Funding for Parishes

As mentioned above, Members had approved the revision of the Local Council Tax Support Scheme from 1 April 2016 which included the preferred option to reduce funding for CTS to Parish Councils over a three year period. This had resulted in the following total estimated grant funding from Taunton Deane:-

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

Addressing the 2016/2016 Budget Gap

In line with the agreed approach to budget setting, the Executive had considered a number of options to address the Budget Gap. In addition, financial estimates had been reviewed and updated through the budget process and the Budget Gap updated accordingly.

Various changes to the budget gap had been reported through the budget process, both in terms of changes to cost and income estimates through detailed budget work, and as a result of proposed and approved changes by Members. The Draft Budget had closed the budget gap in full through a combination of savings, fees and charges and additional Council Tax income.

The following table summarised the changes to draft budget estimates since November 2015 and included the changes proposed in order to set a balanced budget for 2016/2017:-

2016/17 Budget Gap Position

	£k	Gap £k
2016/17 Budget Gap Estimate 17 November 2015		1,339
Council Tax Collection Fund surplus	-131	

	£k	Gap £k
Transfer of HRA Procurement Savings no longer required	148	
Reduction in MRP re removal of HRA Procurement Savings	-148	
Proposed MRP method change to asset life weighted average	-234	
Car Parking income increase in demand	-100	
One off transfer from EMR re 'P4A'	-100	
Taunton Deane Partnership not paying contribution to TDBC	5	
Remove JMASS non staff savings for savings to be achieved from Terms and Conditions and Transformation	112	
Support Service changes	-25	
Benefits Service – Costs previously funded by New Burdens Grant	59	
Car Parking fees and charges report (approved Full Council Dec 2015)	-860	
Car Park Maintenance, pay on exit and variable message signing, project costs, CCTV (approved Full Council Dec 2015)	411	
Other Fees and Charges (approved Full Council Dec 2015)	-129	
Provisional Settlement – Lower NHB allocation than estimated	75	
Reduction in Transfer to NHB reserve	-75	
Provisional Settlement RSG reduction	46	
Provisional Settlement – Rural Services Delivery Grant removed from RSG	5	
Provisional Settlement – Rural Services Delivery Grant	-7	
CTS Grant reduction – Parishes £13k, Unparished Area £2k (approved Full Council Dec 2015)	-15	
Budget Gap Per Members Budget Pack in December		376
RCCO Budget Not Required	-46	
New Rail Station Feasibility Study	40	
Updated estimate in respect of Street Cleaning Costs	-12	
Support Services – Budget correction	144	
Waste Partnership updated budget requirement	-75	
2016/17 Budget Gap Estimate 21 January 2015		427
Council Tax proposed increase at £5, not 1.99%	-88	
Council tax income - Special Expenses at 0% increase	1	
Unparished Area Fund based on 0% tax rate change, not 1.99%	-1	
Savings Options as set out in Appendix B	-135	
Business Rates Retention 2016/17	-318	
Business Rates Deficit on the Collection Fund	192	
Transfer From Business Rates Retention Smoothing Reserve	-192	
Increase Business Rates Smoothing Reserve in 2016/17	114	
SRA One-off contribution in 2016/17	68	
1.25% Council Tax increase to fund SRA contribution	-68	
Final Housing Benefit and Council Tax Support Admin Grant	TBC	
Budget Gap / (-) Surplus Latest Estimate		0

Noted that a detailed explanation of all the proposals listed above were included in the report.

DLO Trading Account

The implementation of the new ICT system would allow for the production of a more detailed analysis of spend and income within the DLO, as well as a more streamlined working pattern enhancing productivity. The impact of this had been included within the 2016/2017 budget setting process.

The General Fund budget included the usual trading surplus of £101,000 providing a contribution to the net income for the Council. Any additional surplus would be transferred to the DLO Trading Account reserve.

The forecast reserves position for 2016/2017 remained positive and provided some resilience to volatility in trading performance and future investment needs

Deane Helpline Trading Account

The draft budget was based on a freeze for both private customers and Council Tenants with regard to the weekly charge. Installation fees for private customers would also be frozen.

The Deane Helpline was a stand-alone trading account service. In 2016/2017 the estimated deficit was estimated to be £107,000. This deficit would need to be funded by the General Fund.

Minimum Revenue Provision (MRP) Policy

The MRP methodology had been reviewed for 2016/2017 to ensure that the Council's approach was appropriate for Taunton Deane's financial stability and was robust and prudent for future capital expenditure.

A number of options had been considered and the approach recommended was that of the Equal Instalment Method whereby the MRP was linked to weighted asset life. This had meant for Taunton Deane that the repayments of capital borrowing through MRP had been extended to a 45.57 year period.

This was seen to be a prudent approach which, if approved, would result in an annual budget saving of £234,000.

Draft General Fund Budget Summary 2016/2017

The following table compared the proposed budget with the original budget for the current year. The table has been completed assuming a £5 increase as per the current budget assumptions.

	Original Budget 2015/16 £	Draft Budget 2016/17 £
Total Spending on TDBC Services	12,152,560	12,444,583
Somerset Rivers Authority Contribution	0	67,987
Capital Charges Credit	(2,513,080)	(2,513,080)
Revenue Contribution to Capital	648,590	482,500
Interest payable	0	0
Parish Precepts	531,720	531,720
Grants to Parishes for CTS	38,970	25,980
Special Expenses	42,900	43,360
Grants to Unparished Area	6,030	4,020
Capital Debt Repayment Provision (MRP)	562,270	180,060
Interest Income	(314,000)	(314,000)
Transfers to/from Earmarked Reserves	2,142,500	3,290,793
Transfer to/from General Reserves	(105,000)	0
AUTHORITY EXPENDITURE	13,193,460	14,243,923
Less: New Homes Bonus	(3,178,650)	(3,877,610)
Less: Revenue Support Grant	(1,916,420)	(1,241,990)
Less: Retained Business Rates	(2,749,000)	(2,959,304)
Less: Council Tax Freeze Grant	(62,400)	0
(Surplus)/Deficit on Collection Fund - BRR	709,660	191,668
(Surplus)/Deficit on Collection Fund - CTax	(134,530)	(130,890)
Demand on Collection Fund – Parishes & SER	(574,620)	(575,080)
Expenditure to be financed by District Council Tax	5,287,500	5,582,730
Council Tax Raised to fund SRA Contribution	0	67,987
Total Council Tax Raised by TDBC	5,287,500	5,650,717
Divided by Council Tax Base	38,348.55	39,072.86
Council Tax @ Band D – Taunton Deane Services	£137.88	£142.88
Council Tax @ Band D – Somerset Rivers Authority	0	£1.74
Council Tax @ Band D – TDBC including SRA	£137.88	£144.62
Cost per week per Band D equivalent	£2.64	£2.78

Medium Term Financial Plan (MTFP) Summary

The Council prepared its annual budget within the context of the MTFP. This provided estimates of the budget requirement and budget gap into future years. The following table provided a summary of the current indicative MTFP based on the current draft budget estimates including savings proposals:-

	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Forecast Net Expenditure	10,280,063	10,633,062	11,439,334	11,962,163	12,381,794
SRA Contribution	67,987	0	0	0	0
Earmarked Reserves	3,290,793	3,007,050	2,260,100	1,900,480	1,717,700
General Reserves	0	0	0	0	0
Unparished CTRS Grant	4,020	2,010	0	0	0
Unparished Precept (SER)	43,360	44,230	45,110	45,980	46,850
Parish CTRS Grant	25,980	12,990	0	0	0
TDBC NET EXPENDITURE	13,712,203	13,699,342	13,744,544	13,908,623	14,146,344
Parish precepts	531,720	531,720	531,720	531,720	531,720
TOTAL NET BUDGET	14,243,923	14,231,062	14,276,264	14,440,343	14,678,064
Retained Business Rates	-2,959,304	-2,977,089	-3,119,534	-3,060,691	-3,130,802
Collection Fund Surplus – BR	191,668	0	0	0	0
Revenue Support Grant	-1,235,137	-644,801	-279,788	0	0
Rural Services Delivery Grant	-6,853	-11,992	-17,132	-22,271	-22,271
New Homes Bonus	-3,877,610	-3,416,310	-2,669,360	-2,309,740	-2,126,960
Council Tax – TDBC	-5,582,730	-5,750,630	-5,923,320	-6,101,310	-6,284,720
Council Tax – To Fund SRA	-67,987	0	0	0	0
Council Tax – Special Expenses	-43,360	-44,230	-45,110	-45,980	-46,850
Collection Fund Bal – CTax	-130,890	0	0	0	0
TDBC NET FUNDING	-13,712,203	-12,845,052	-12,054,244	-11,539,992	-11,611,603
Council Tax – Parishes	-531,720	-531,720	-531,720	-531,720	-531,720
TOTAL FUNDING	-14,243,923	-13,376,772	-12,585,964	-12,071,712	-12,143,323
Budget Gap – In Year	0	854,290	836,009	678,331	166,110
Budget Gap – Cumulative	0	854,290	1,690,300	2,368,631	2,534,742

The above estimates included the following main **assumptions** related to funding:-

- The Revenue Support Grant for 2016/2017 was as set out in the Provisional Finance Settlement. It was then projected to diminish to nil by 2019/2020;
- The updated estimates for Business Rates funding for 2016/2017 took into account the cap on the Retail Price Index increase to Rates at 0.80%, and the anticipated tariff adjustment in 2019/2020;
- The updated estimates for New Homes Bonus funding assumed that the number of years allocation would drop. Therefore in 2017/2018 Taunton Deane would only receive five years allocation and in 2018/2019 and subsequent years the Council would only receive a four year allocation; and
- Council Tax was assumed to increase by £5 in 2016/2017 then 1.99% in each subsequent year.

Beyond 2016/2017, the MTFP included anticipated inflationary pressures related to staffing pay awards, price inflation on services and major contracts, as well as the estimated funding position over the next five years.

General Reserves

Further reported that the reserves position was part of the overall financial framework that underpinned the Budget Strategy. This framework included an acceptable minimum reserves position which had recently been reviewed by the Section 151 Officer. It was proposed to increase the minimum reserves to £1,600,000 to reflect the risks facing the Council more robustly and to protect services to the community.

Noted that the current General Fund Reserves balance was £1,740,000. This was only £140,000 above the new recommended minimum balance.

Based on the draft MTFP position set out above the General Reserves forecast was summarised as follows:-

General Reserves Forecast

	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
Estimated Balance B/F	1,740	1,740	886	-804	-3,172
Predicted Budget Gap	0	-854	-1,690	-2,368	-2,535
Estimated Balance C/F	1,740	886	-804	-3,172	-5,707

Clearly the Council would need to ensure action was taken to ensure the projected financial deficit over the medium term was avoided and minimum balances were maintained. This is essential for the continuing financial resilience and sustainability of the Council. The Budget Proposals and Options presented for consideration provided opportunities to make significant progress towards addressing the financial challenge.

The Council's Section 151 Officer also had a duty in accordance with The Local Government Act 2003 to comment, as part of the budget setting process, on the robustness of the budget plans. In her response, Shirlene Adam had stated that she believed the Council's reserves to be adequate and the budget estimates used in preparing the 2016/2017 budget to be robust.

Noted that a number of Equalities Impact Assessments had been prepared and were attached as appendices to the report.

Resolved that Full Council be recommended to agree the General Fund Revenue Budget for 2016/2017 and that:-

- (a) The forecast Medium Term Financial Plan and Reserves position and the Section 151 Officer's Robustness Statement be noted;
- (b) The General Fund Revenue Budget 2016/2017, including a Basic Council Tax Requirement budget of £5,582,700 and Special Expenses of £43,632 be approved;
- (c) A Council Tax increase of 3.62%, increasing the Band D basic tax rate by £5 to £142.88 per year be approved;
- (d) A further 2016/2017 one-off Council Tax increase of 1.25% in respect of funding for the Somerset Rivers Authority, adding £1.74 to a Band D tax charge per year;
- (e) The transfer of any unallocated year end under/overspend in the 2015/2016 General Fund Revenue Account Outturn to/from the General Fund Reserves be approved;

- (f) The minimum reserves level at £1,600,000 be approved; and
- (g) The decision as to whether to accept the Government's offer of a four year funding settlement, provided it was in the Council's interests to do so, be delegated to The Leader of the Council, the Executive Councillor for Corporate Resources and the Section 151 Officer.

8. **Housing Revenue Account Estimates 2016/2017**

Considered report previously circulated, which set out in detail the proposed Housing Revenue Account (HRA) Estimates for 2016/2017.

2016/2017 would be the fifth year of operating the HRA under self-financing arrangements. The Council had taken on debt of £85,200,000 in March 2012 to enable the Council to operate self-financing arrangements.

A fundamental review of the HRA Business Plan had been scheduled for 2015/2016 and to support this, funding had been made available from 2014/2015 underspends. Changes in national policy announced in 2015 – particularly the Welfare Reform and Work Bill and the Housing and Planning Bill – had greatly affected the long term financial position of the HRA Business Plan, making this review essential.

Dwelling rents for more than 5,800 properties provided annual income of over £24,000,000 for the HRA.

The Welfare Reform and Work Bill had set out a 1% annual reduction in all social rents from 1 April 2016 for four years. This would negate the 10 year national rent policy for social housing that was implemented in April 2015, and would greatly reduce the income expectations for the HRA as shown in the table below:-

Reduction in Dwelling Rent Income Compared to the Business Plan

	Reduction in Rent Income Compared to Business Plan				
	2016/17	2017/18	2018/19	2019/20	2020/21
Impact of lower inflation (-0.1%)	439,900	459,000	472,400	487,000	501,800
Additional impact of change in social housing rent policy:-					
If rent policy returned to CPI + 1% from 2020/2021 to end of 10 year Rent Policy	461,100	1,465,500	2,480,000	3,510,100	3,609,200
If rent policy returned to CPI only from 2020/2021	461,100	1,465,500	2,480,000	3,510,100	3,845,600

When forecast over the length of the Business Plan, this reduction in rent represented a significant reduction in income to the HRA as shown below:-

Cumulative Reduction in Dwelling Rent Income Compared to the Business Plan

	Cumulative Totals		
	5 Years (to 2020/2021)	To end of current 30 Year Business Plan 26 Years (to 2041/2042)	Full 30 Years (to 2045/2046)
If rent policy returned to CPI + 1% from 2020/2021 to end of 10 year Rent Policy	13,886,000	124,124,200	150,455,400
If rent policy returned to CPI only from 2020/2021	14,122,400	154,054,000	187,811,300

Local Authorities had previously had the power and duty to set their own rents, however the Welfare Reform and Work Bill no longer allowed for rents to be above a 1% reduction.

In line with the national rent guidance it was proposed that the average weekly rent for dwellings for 2016/2017 should be set at the guideline rent of £83.06, a decrease of 1.0% or £0.84 per week.

Reported that taking into account the number of dwellings lost through Right to Buy, the expected increase to income when the Creechbarrow Road dwellings were handed over and the level of rent lost through void properties, the expectation in dwelling rent income was likely to reduce by £840,000, as shown in the table below:-

	£k	£k
Rental Income As Per Business Plan		25,470.9
Impact of lower inflation	(439.9)	
Change in rent policy to -1.0%	(461.1)	
Change in dwelling numbers	(97.0)	
Change in budgeted void level	158.0	
		(840.0)
Updated Rental Income		24,630.9

Around 8.1% of HRA income – or £2,150,000 – came from non-dwelling rents, charges for services and facilities and contributions to HRA costs from leaseholders and others. It was proposed to increase these budget lines generally by 0.8%.

Noted that a separate review of Sheltered Housing had been undertaken and service charges had been set at a flat rate of £10.93 for 2016/2017. Following the decision that tenants in receipt of Housing Benefit with a Piper Lifeline would be subsidised by the HRA, a reduction in income of £151,800 was expected.

The General Fund would be contributing a share towards the costs in the HRA for work done on estates where people had bought their homes under Right to Buy.

Also noted that following the installation of photovoltaic panels on a number of

Council-owned dwellings, Feed in Tariff income of £160,000 was expected in the next financial year.

The HRA expenditure budgets, which included Management Expenses, Maintenance, Special Services, Provision for bad debts, Depreciation, Debt Management Expenses, Repayment of Borrowing and Interest, Interest receivable and the Social Housing Development Fund were submitted and details of significant changes were reported.

Also reported on appropriations, in the form of Transfers to General Fund and Revenue Contributions to Capital.

Further reported that in December 2015 the estimated budget gap for 2016/2017 was £386,000. The following table provided a summary of the main changes to the draft budget estimates for the HRA Revenue Account, including the proposals to deliver a balanced budget in 2016/2017.

Budget Area	Reference Paragraph	£k
Balanced Budget for 2016/17 in Business Plan		0
Dwelling rents	3	998
Piper Lifeline (as agreed at Full Council 15/12/2015)	4.4	152
Specialist works	5.3	67
Pre-Planned Maintenance	5.3	(300)
Responsive heating	5.3	(100)
Self-Insurance Fund	5.3	(50)
Interest payable	5.8	(213)
Procurement Savings	6.1	(177)
Shared Services Costs	5.2	(67)
Housing Service improvement projects	5.2	150
Other minor changes		(74)
Budget Gap as Reported in the December Consultation Pack		386
Reduction in dwelling void loss assumptions	3.10	(158)
General maintenance	5.3	158
Updated Budget Gap		386
Proposals for achieving a balanced budget in 2016/17		
RCCO - Related Assets 2016/17		(125)
Use of earmarked reserves from reduced RCCO for Related Assets in 2015/16		(24)
Provision for bad debt		(192)
Creechbarrow Hub running costs		(35)
Transfer Removal Grants		(10)
Balanced Budget for 2016/17		0

Noted that a detailed explanation of all the proposals listed above were included in the report.

The Draft Housing Revenue Account Budget was presented to the Corporate Scrutiny Committee on 21 January 2016 for review and comment. No specific amendments to the Draft Budget were formally recommended by the Committee.

Resolved that:-

- (1) Full Council be recommended to:-
 - (a) Approve the average rent decrease of 1% for 2016/2017 in line with the Council's approved Rent Policy; and
 - (b) Agree the Draft Housing Revenue Account Budget for 2016/2017;
- (2) A briefing note be prepared and issued to all Councillors explaining the impact of the new policy change on rent levels for supported housing; and
- (3) It be noted that the Executive would present its final position on Housing Revenue Account budgets and rent levels to Full Council on 23 February 2016.

9. Capital Programme Budget Estimates 2016/2017

Considered report previously circulated, concerning the proposed General Fund and Housing Revenue Account (HRA) Capital Programmes for 2016/2017.

2015/2016 Draft General Fund Capital Programme

In December, Members were provided with the initial draft capital programme bids which had been received from budget holders, and these had been reviewed by Executive Councillors for the draft budget. The current capital strategy included 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; and
- 5) Other.

The current Capital Programme in 2015/2016 included approved projects totalling £3,833,612.

The proposed draft General Fund Capital Programme for 2016/2017 totalled £1,054,000. The following tables detailed bids submitted for both Deane DLO schemes and other General Fund Schemes.

Bids Submitted for Deane DLO Schemes

Scheme	Priority	Cost £k	Possible Funding Options				
			RCCO £k	DLO Reserve £k	Capital Reserve £	Capital Grants £k	Total Funding £k
DLO Vehicle Replacement	2	180	180				180
DLO Plant Renewal and Replacement	2	23	23				23
Ride on Mowers	2	60		60			60
Total		263	203	60			263

Bids Submitted for General Fund Schemes

Scheme	Priority	Cost £k	Possible Funding Options				
			RCCO £k	NHB Reserve £k	Capital Reserve £	Capital Grants £k	Total Funding £k
Grants to Halls and Sports Clubs	5	10	10				10
Play Equipment Replacement	2	55	55				55
PC Refresh	1	35	35				35
Waste Containers	2	93	50		43		93
Orchard Centre Car Park Improvements	2	126	126				126
Members IT Equipment	2	4	4				4
Parish Play Area Grant Scheme	5	10			10		10
Cremator Brick Work	2	20			20		20
Cemetery IT System	2	50			50		50
Disabled Facilities Grants	2	388				388	388
Total		791	280	0	123	388	791
Combined Total		1,054	483	60	123	388	1,054

A detailed explanation for all of the proposals listed above were included in the report.

These tables summarised the proposed funding of the Draft Capital Programme for 2016/2017 and they showed that the proposed Capital Programme for 2016/2017 was fully funded through a combination of revenue contributions (DLO and General), capital reserves plus grant funding provided via Somerset County Council. As a result it was proposed to support the Capital Programme to incorporate all of the bids.

Noted that funding for capital investment by the Council could come from a variety of sources including:-

- Capital Receipts;

- Grant Funding;
- Capital Contributions (for example from another Local Authority or Section 106 Agreement funding);
- Revenue budgets/reserves (often referred as RCCO – Revenue Contributions to Capital Outlay); and
- Borrowing.

A detailed explanation as to where the sources of the above funding originated was supplied for the information of Members.

Capital Programme for Growth and Regeneration 2016/2017

In addition to the above schemes which primarily delivered service continuity and improvements, Growth and Regeneration remained a top priority for the Council. This commitment had been reflected over recent years, by the allocation of New Homes Bonus (NHB) funding for these purposes.

Reported that at Full Council before Christmas, Members had also supported investment in principle of £16,600,000 from projected NHB receipts towards a number of growth spend categories reflecting the priorities established in the Taunton Growth Prospectus and aligned with the relevant plans and priorities of key partners.

Some £16,000,000 of the proposed spend was expected to be recognised as capital expenditure (with revenue costs of £500,000 for marketing, promotion and inward investment and £100,000 for the preparation of Local Development Orders) and as such was included in the proposed Growth Capital Programme shown in the table below:-

Proposed NHB Allocation and Indicative Spend Profile

Growth project / category	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	Total NHB allocation £
Taunton Strategic Flood Alleviation			1,000,000	1,000,000	1,000,000	3,000,000
Major transport schemes	400,000	800,000	1,000,000	300,000		2,500,000
Town Centre regeneration	500,000	750,000	750,000	500,000		2,500,000
Employment site enabling and innovation to promote Growth		2,000,000	2,000,000			4,000,000
Urban Extensions		1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
TOTAL CAPITAL COSTS	900,000	4,550,000	5,750,000	2,800,000	2,000,000	16,000,000

Further reported that the Autumn Statement and subsequent Provisional Settlement announcements had suggested that Government consultation on a revision of the NHB grant funding would effectively reduce the grant by a 1/3rd in the future. The anticipated reduction in available future NHB funding had been updated within the Medium Term Financial Plan.

Any reduced NHB would therefore result in insufficient funds to cover all of the proposed £16,600,000 spend within the anticipated timeframe. The Council had

acknowledged this funding risk when it approved the investment and had accepted that plans would need to be reviewed when updated funding information was confirmed.

It was nevertheless proposed to include £900,000 within the approved Capital Programme for 2016/2017. Future years' investment would remain indicative and subject to annual review.

2016/2017 Draft Housing Revenue Account (HRA) Capital Programme

The Draft HRA Capital Programme 2016/2017 totalled £8,589,000. This was provided to deliver the prioritised capital investment requirements included in the current Business Plan for the next budget year. The current five-year HRA Capital Programme was shown below, which included forecast capital expenditure requirements for the period 2016/2017 to 2020/2021, as identified in the Business Plan. Noted that the programme would be subject to change pending the outcome of the recently approved stock survey.

Draft HRA Capital Programme 2016/2017

Project	Total Cost £
Major Works	6,739,000
Improvements	155,000
Related Assets	0
Exceptional Extensive Works	260,000
Disabled Facilities Grants and Aids and Adaptations	435,000
Social Housing Development Fund	1,000,000
Total Proposed HRA Capital Programme 2016/17	8,589,000

It was proposed that the HRA Capital Programme for 2016/2017 shown above would be funded from the Major Repairs Reserve (from depreciation) and revenue contribution (RCCO) from the base budget.

A detailed description for all of the proposals listed within the project headings in the above table were included in the report.

The draft five-year capital programme was shown in the table below:-

Draft Five-Year Capital Programme

	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	5-Year Total £k
Capital Programme	8,589	8,873	9,015	9,159	9,289	44,925

The Capital Programme Budget Estimates 2016/2017 were presented to the Corporate Scrutiny Committee on 21 January 2016 for review and comment. No specific amendments to the Budget were formally recommended by the Committee.

Resolved that Full Council be recommended to approve:-

- (a) The General Fund Capital Programme Budget of £1,054,000 for 2016/2017, plus £900,000 in respect of the Growth and Infrastructure Capital Budget in 2016/2017; and
- (b) The Housing Revenue Account Capital Programme of £8,589,000 for 2016/2017.

10. **Executive Forward Plan**

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

Resolved that the Forward Plan be noted.

(The meeting ended at 8.16 p.m.)