

To:

Members of Scrutiny Committee

(Councillors P H Murphy (Chairman), N Thwaites (Vice Chairman), I Aldridge, R Clifford, G S Dowding, B Maitland-Walker, J Parbrook, P Pilkington and R Woods)

Members of Cabinet

(Councillor A Trollope-Bellew (Leader), M Chilcott (Deputy Leader), M Dewdney, A Hadley, C Morgan, S J Pugsley, K H Turner, D J Westcott)

Our Ref SC/DS

Contact Marcus Prouse [mprouse@westsomerset.gov.uk](mailto:mprouse@westsomerset.gov.uk)

Date 10 January 2018

**THE PRESS AND PUBLIC ARE WELCOME TO ATTEND THE MEETING  
THIS DOCUMENT CAN BE MADE AVAILABLE IN LARGE PRINT, BRAILLE, TAPE FORMAT  
OR IN OTHER LANGUAGES ON REQUEST**

Dear Councillor

I hereby give you notice to attend the following meeting:

**SCRUTINY COMMITTEE**

**Date: Thursday 18 January 2018**

**Time: 3.30 pm**

**Venue: Council Chamber, Council Offices, Williton**

Please note that this meeting may be recorded. At the start of the meeting the Chairman will confirm if all or part of the meeting is being recorded.

You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during the recording will be retained in accordance with the Council's policy.

Therefore unless you advise otherwise, by entering the Council Chamber and speaking during Public Participation you are consenting to being recorded and to the possible use of the sound recording for access via the website or for training purposes. If you have any queries regarding this please contact Committee Services on 01643 703704.

Yours sincerely



**BRUCE LANG**  
Proper Officer

## RISK SCORING MATRIX

Report writers score risks in reports uses the scoring matrix below

**Risk Scoring Matrix**

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

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

- Mitigating actions for high ('High' or above) scoring risks are to be reflected in Service Plans, managed by the Group Manager and implemented by Service Lead Officers;
- Lower scoring risks will either be accepted with no mitigating actions or included in work plans with appropriate mitigating actions that are managed by Service Lead Officers.

## **SCRUTINY COMMITTEE**

**Meeting to be held on Thursday 18 January 2018 at 3.30 pm**

**Council Chamber, Williton**

### **AGENDA**

**1. Apologies for Absence**

**2. Minutes**

Minutes of the Scrutiny Committee held on 7 December 2017, to be approved and signed as a correct record – **SEE ATTACHED.**

**3. Declarations of Interest**

To receive and record any declarations of interest in respect of any matters included on the Agenda for consideration at this Meeting.

**4. Public Participation**

The Chairman to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public wishing to speak at this meeting there are a few points you might like to note.

A three-minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue. There will be no further opportunity for comment at a later stage. Your comments should be addressed to the Chairman and any ruling made by the Chair is not open to discussion. If a response is needed it will be given either orally at the meeting or a written reply made within five working days of the meeting.

**5. Cabinet Forward Plan**

To review the latest Cabinet Forward Plan for the months of February onwards, published on 2 January 2018 – **SEE ATTACHED.**

**6. Chairman's Announcements**

An opportunity to update the Committee on any matters of interest or matters arising.

**7. Financial Standing and MTFP 2018-2019**

To consider Report No. WSC 2/18 to be presented by Councillor M Chilcott – **SEE ATTACHED.**

The purpose of the report is to provide Scrutiny Committee with an update on budget estimates for 2018-2019 and Medium Term Financial Plan (MTFP) forecasts, and to consult with Members on the proposed means of closing the residual Budget Gap for 2018-2019.

**8. Capital Programme Budget Estimates 2018-2019**

To consider Report No. WSC 3/18 to be presented by Councillor M Chilcott – **SEE ATTACHED.**

The purpose of the report is to provide Members with the detail of the Capital bids for the 2018-2019 Capital Programme and the proposed source of funding.

**9. Scrutiny Committee Work Plan**

To receive items and review the Scrutiny Committee Work plan for 2018. - **SEE ATTACHED.**

**COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS**

**The Council's Vision:**

To enable people to live, work and prosper in West Somerset

**The Council's Corporate Priorities:**

- Local Democracy:  
Securing local democracy and accountability in West Somerset, based in West Somerset, elected by the people of West Somerset and responsible to the people of West Somerset.
- New Nuclear Development at Hinkley Point  
Maximising opportunities for West Somerset communities and businesses to benefit from the development whilst protecting local communities and the environment.

**SCRUTINY COMMITTEE****Minutes of the Meeting held on 7 December 2017 at 3.30 pm****Present:**

Councillor P H Murphy .....Chairman  
Councillor N Thwaites .....Vice-Chairman

Councillor I Aldridge  
Councillor A Kingston-James  
Councillor J Parbrook  
Councillor R Woods

Councillor S Dowding  
Councillor B Maitland-Walker  
Councillor P Pilkington

**Members in Attendance:**

Councillor M Chilcott  
Councillor M Dewdney  
Councillor B Heywood  
Councillor D Westcott

Councillor H Davies  
Councillor A Hadley  
Councillor A Trollope-Bellew

**Officers in Attendance:**

Assistant Director – Resources and Support (P Carter)  
Assistant Director – Operational Delivery (C Hall)  
Car Park Operations Manager (T Biss)  
Economic Regeneration and Tourism Manager (C Matthews)  
Corporate Strategy and Performance Officer (R Doyle)  
Democratic Services Officer - Scrutiny (M Prouse)  
Democratic Services Officer (K Kowalewska)

**Others:**

Chief Executive of the West Somerset Academy Trust (P Rushforth)  
Department of Education West Somerset Opportunity Area Manager (J Downie)  
Head of Vulnerable Learners SCC (J Ridge)

**SC 46     Apology for Absence**

An apology was received from Councillor R Clifford.  
Councillor A Kingston-James substituted for Councillor R Clifford.

**SC 47     Minutes**

(Minutes of the Meeting of the Scrutiny Committee held on 23 November 2017  
– circulated with the Agenda.)

**RESOLVED** that, subject to the inclusion of a final bullet point to Minute No. SC44 to read, “Concern was raised about the transparency of charging for the use of council land. The Portfolio Holder for Resources stated that the Asset Management Group had this under review.”, the Minutes of the Scrutiny Committee held on 23 November 2017 be confirmed as a correct record.

**SC 48**     **Declarations of Interest**

Members present at the meeting declared the following personal interests in their capacity as a Member of a County, Parish or Town Council:-

<b>Name</b>	<b>Minute No.</b>	<b>Description of Interest</b>	<b>Personal or Prejudicial or Disclosable Pecuniary</b>	<b>Action Taken</b>
Cllr I Aldridge	All items	Williton	Personal	Spoke and voted
Cllr A Kingston-James	All items	Minehead	Personal	Spoke and voted
Cllr B Maitland-Walker	All items	Carhampton	Personal	Spoke and voted
Cllr P Murphy	All items	Watchet	Personal	Spoke and voted
Cllr J Parbrook	All items	Minehead	Personal	Spoke and voted
Cllr P Pilkington	All items	Timberscombe	Personal	Spoke and voted
Cllr N Thwaites	All items	Dulverton	Personal	Spoke and voted
Cllr A Trollope-Bellew	All items	Crowcombe	Personal	Spoke
Cllr M Chilcott	All items	SCC	Personal	Spoke
Cllr H Davies	All items	SCC	Personal	Spoke
Cllr D Westcott	All items	Watchet	Personal	Spoke

In addition, the following interests were declared:

<b>Name</b>	<b>Minute No.</b>	<b>Description of interest</b>	<b>Personal or Prejudicial</b>	<b>Action Taken</b>
Cllr A Kingston-James	SC53	Chair of Governors at Danesfield School	Personal	Spoke and voted
Cllr I Aldridge	SC53	Works for National Education Union, in a retired capacity	Personal	Spoke and voted

**SC 49**     **Public Participation**

No members of public spoke at the meeting on any items on the agenda.

**SC 50**     **Cabinet Key Decisions and Actions**

(Copy of the Cabinet Key Decisions from the meeting held on 30 November 2017, circulated at the meeting)

The Chairman drew Members' attention to the Cabinet decision pertaining to Fees and Charges 2018/19 and it was noted that the recommendation from the Scrutiny Committee held on 23 November 2017 relating to not progressing the proposed charge for the Watchet Sea Scouts had not been accepted by Cabinet. An explanation was provided by the Assistant Director for Operational Delivery on the amendment to Appendix F of the Fees and Charges report being presented to Full Council on 13 December 2017. Specific reference to the Sea Scouts had been removed and a new line entered for "non-standard use for any community group/charities" which had a fee of £100. With the Portfolio Holder's permission there was an intention to delay the imposition of the charge for the Sea Scouts for 12 months to give time for both parties to review the content of the 1948 agreement.

**RESOLVED** that the Cabinet Key Decisions from the meeting held on 30 November 2017 be noted.

**SC 51 Cabinet Forward Plan**

(Copy of the Cabinet Forward Plan published 28 November 2017, circulated at the meeting)

It was noted that the Budget Monitoring Report for Quarter 3 would be presented to Cabinet in February, and not in January as circulated.

**RESOLVED** that the Cabinet Forward Plan published on 28 November 2017, be noted.

**SC 52 Chairman's Announcements**

The Chairman wished everyone a good Christmas and new year.

**SC 53 West Somerset Opportunity Area**

The report WSC 138/17 was presented by Councillor M Chilcott, Lead Member for Resources and Central Support.

The purpose of the report was to inform Members about the implementation and activity to date of the Department for Education's West Somerset Opportunity Area Programme.

In 2016 the Social Mobility Commission published its State of the Nation report. West Somerset was ranked 324<sup>th</sup> out of 324 local authority areas, against the measure that a child from a disadvantaged background would do well at school and would get a good job.

In October 2016 the Secretary of State for Education announced that a programme of Department of Education support would be implemented in the six worst performing areas which were called Opportunity Areas. West Somerset was designated as one of the areas and subsequently a further six had been created which made twelve in total.

The Opportunity Areas had been tasked to develop specific plans to put in place interventions which would measurably make improvements. Funding to support the activities would be made available for a three year period with a share of circa £72,000,000 across the twelve areas.

The West Somerset Opportunity Area had a Plan that was developed by the Board and other local stakeholders and was signed off by the Secretary of State in October 2017. The Plan identified four key priority areas:-

- Every child had a great start in life;
- Educational excellence in the priority areas;
- Transition to adulthood; and
- Skills for employment and business.

The Lead Member for Resources and Central Support introduced the report and provided background information. The Social Mobility Delivery Plan was being delivered ahead of schedule and the huge amount of work being undertaken would greatly benefit and make a big difference to the young

people in the district. It was hoped that subsequently an update on the delivery of the schemes would be given at a future meeting.

Paul Rushforth, Chief Executive of the West Somerset Academy Trust, provided a brief overview of the educational excellence in the classroom priority area. An analysis had been carried out on the attainment and achievement of children to look at their levels of development from entry level through to GCSE level. Last year in both of the West Somerset Middle Schools children made more progress than they would have done nationally in an average primary school, and KS2 was the highest performing in the County. The quality of teaching and leadership was established, and figures showed the children in West Somerset were making accelerated progress - the progress between KS2 and GCSE of students last year was in the top 15% in the country, and the third highest achieving in the county. Mr Rushforth went on to explain how the funding would be used to deliver even more accelerated progress and safeguard stronger attainment by improving children's level of phonic understanding; ensuring effective transition work within the two and three tier systems; and opportunities to gain national professional qualifications and receive further leadership training and teacher assistant training.

Julia Ridge, SCC Head of Vulnerable Learners, stated that following significant concerns from the community about education in West Somerset, standards at the West Somerset College had considerably improved over the last 18 months. The results for the last academic year were stunning, with substantial improvements in GCSE and A Levels passes. SCC were very impressed with the College's achievements and were proud of the results for West Somerset, and it was stressed that the public could be confident knowing that students going to West Somerset College were going to do very well. Research has shown that those students on low income or with special needs found it disproportionately hard to travel to Taunton or Bridgwater, therefore there were plans to reintroduce a selection of vocational training and as part of the opportunity funding, Level 1 and 2 training would be brought back into the College, as well as bringing those buildings which had been mothballed back into use. Each course would require about 16 people to make it financially viable and the courses would be subsidised in the first two years to encourage participation. The Opportunity Area programme had come at an excellent time for the College because it allowed the vocational element to be moved forward more quickly than it would have been able to do without its support.

Two other key areas of work which were reported on included early years – there would be a whole programme of work to identify what activities were provided in nurseries to ensure children were ready for the first school; and working for employment which looked at a number of opportunities to bring women back into work and provide family support.

Jan Downie, Department of Education West Somerset Opportunity Area Manager informed Members of an additional programme namely 'Essential Life Skills' – this was funding to help young disadvantaged people access outer school provision, i.e. non-cognitive skills, and targeted the 9-14 year old age group.

During discussion, the following points were raised:-

- It was requested the presentation by the Chief Executive of the Bridgwater College Academy Trust detailing the Opportunity Areas Programme be made available to the Scrutiny Committee.
- Clarification was provided on how much funding would be made available to West Somerset. Each 12 Opportunity Area had a share of the £72 million funding and it was very important to work with partners to establish the amount of money needed in the district to deliver the activities programme.
- The Department of Education and numerous community groups and organisations were working together to support and improve the lives of children and young people in West Somerset.
- In terms of whether the funding could be directed towards sustaining the network of children centres in West Somerset, it was explained the funding was not intended to backfill where money had been withdrawn from local services, it would be used to engender capacity building to leave a sustainable legacy of success in the area.
- It was reported that the college would look very carefully at reintroducing vocational training courses, however agriculture would not be brought back online in the first instance. The first stage of courses to be run included hairdressing, multi-ops construction and tourism and hospitality. The Ellicombe farm site would be used by the school for the most vulnerable learners to teach horticultural skills and gardening.
- A broad range of enrichment activities were available at the West Somerset College to take young people beyond the A level stage.
- Concerns were expressed about the premise of social mobility, as it was perceived to be a lifetime experience, and the lack of job opportunities was also raised.
- The programme would focus on the provision of greater enhanced opportunities for the area's indigenous industries, e.g. tourism, to improve job quality and pay. It was noted that a virtual tourist academy project called West Coast 360 was also being developed with the significant tourist providers in the area.
- There was a need to liaise with local employers to understand their needs in terms of making apprenticeships more accessible.
- Concern was expressed about the impacts upon the stability to deliver high quality education resulting from low morale and high turnover of teachers, and various issues concerning teacher recruitment and retainment were raised.
- The college was congratulated on its performance relating to the good exam results.
- In response to a question raised about the ambition of the targets, assurance was provided that the Plan would be delivered and achieved. All those involved in the programme aspired to go beyond meeting the targets, this comprised of exploring the very best opportunities for young people in the area to succeed.
- An enquiry on what level of support and resources would be available in the long term to maintain the good exam result and keep percentages rising was raised.
- The quality of leadership and the quality of teachers was key in school performance, and the community should be incredibly proud of the results.
- A specific point was raised about the need to recognise issues relating to special needs within the plan.

- It was explained that for initiatives targeting school level, e.g. professional education for teachers, funding would be exclusively available for schools within the West Somerset district, however where initiatives targeted at children or young people separate from the school they attended, then potentially children who attended secondary schools outside the district, such as in Wiveliscombe and Bridgwater, could benefit from the funding.
- The Chairman thanked the guest speakers for attending the meeting and for comprehensively answering questions. The Committee looked forward to receiving a progress report in the future.

**RESOLVED** that the comments and views of Scrutiny Committee be taken into account and where relevant be given due regard in respect of the final operational plan.

#### **SC 54     Quarter 2 of 2017-2018 Performance Report**

The report WSC 140/17 was presented by Councillor A Trollope-Bellew, Leader of Council.

The purpose of the report was to provide Members with key performance management data up to the end of Quarter 2 of 2017-2018 to assist in monitoring the Council's performance.

Performance monitoring was a key element of the Council's Performance Management Framework.

There were 29 individual measures which were reported within the Corporate Scorecard.

The information given within the WSC's Scorecard was at 30 September 2017 and contained 14 green measures, 2 amber measures and 1 red measure.

The red measure was highlighted:-

- KPI 123 – Customer Complaints. In Quarter 1, 8 complaints had been received and all were dealt with within 20 days. In Quarter 2, 5 complaints had been received and only 4 had been dealt with within 20 days.

During discussion, the following points were raised:-

- A concern was raised regarding the Asset Management Team as it was currently experiencing considerable personnel churn, and Members requested assurance that there would be adequate capacity to provide a service that Councillors, stakeholders and the public expected especially during the period of transformation.
- The Leader of Council acknowledged there was a staff resource issue within the Team which consequently had a major impact on the continuity of asset projects. It was confirmed that the Cabinet was looking at matters relating to increasing capacity. This was seen as an immediate problem which needed addressing, not connected to transformation.
- Officers were congratulated on the low sickness reporting figures and it was confirmed that the Council took absence management very seriously.

**RESOLVED** that the Council's performance be noted.

**Note:** With the agreement of the Chairman this item was brought forward on the Agenda.

**SC 55** **Call-In of the decision made by Cabinet Member for Resources and Central Support, Councillor M Chilcott, to increase Councillor representation on the Planning Obligations Panel**

At this point the Chairman vacated the Chair and the Vice-Chairman chaired the meeting during discussion of this item.

The report WSC 141/17, which included the Call In Statement, was presented by Councillor P Murphy.

Cabinet Member Councillor Mandy Chilcott's decision to invite Councillor Martin Dewdney to join the Planning Obligations Panel was taken on the 26 October 2017 and was announced via email to all Councillors on the 9 November that in accordance with the Constitution the decision would only come into force on the sixth working day after publication. Until that time the decision would be subject to call-in. The email contained an attached Executive Decision Record Sheet which set out the decision made and the reasoning:-

Following an internal review of the process and procedures involved with the allocation of Section 106 funding it was decided to increase Councillor representation from two to three councillors and allow substitution of Members where needed. This could be for example to cover for holidays or where there was a declaration of interests. This would make the panel more robust and reduce the risk of deferred meetings. The meeting would still be quorate with two Councillors and the chair (Tim Burton, Assistant Director). The membership of POG and the key officers associated with the panel were shown on the attached sheet. Councillor Martin Dewdney had been invited to join the panel as Cabinet member with responsibility for the Environment, which included planning.

The decision had now been called in by Councillors Ian Aldridge, Thomas Hall, Ivor Jones, Peter Murphy and Peter Pilkington for the reasons set out below (and on the completed Call-In Request form which was signed and dated 10 November 2017 and received and validated by the Proper Officer on the 13 November 2017):-

The decision failed to satisfy the following principles of decision-making:

- i) Proportionality of the decision - it was disproportionate and unreasonable to exclude Councillor D Westcott on grounds stated in the Executive Decision as the reasons were deemed flawed.
- ii) Due consultation and taking of officers professional advice – Cabinet was not consulted on the Executive Decision and this was considered not to be good practice.
- iii) A presumption in favour of openness as a result of the lack of consultation.
- iv) Clarity of aims and desired outcomes – the desired outcome could be achieved by other decision choices.

Councillor Murphy asked Councillor Westcott the following questions –

- Could he confirm whether or not he was consulted about this decision?  
*Until the Executive Decision was published, he knew nothing about it.*
- To his knowledge, was Cabinet consulted during the making of the Executive Decision?

*There was no discussion at any meeting of Cabinet or informal Cabinet.*

Councillor Murphy proposed that the Scrutiny Committee consider his Call In Statement and resolve to refer the decision back to the decision maker and recommend that the decision be reconsidered taking into account the above points. This was seconded by Councillor Aldridge.

The Assistant Chief Executive and Monitoring Officer advised that the decision to appoint a Councillor to the Planning Obligations Panel was an Executive Decision taken by a Portfolio Holder, thereby the procedure taken was constitutionally correct.

In response to a question as to whether consideration had been given to non-Cabinet Members to join the Panel, the Lead Member for Resources stated she took the Leader's advice on the matter regarding who should be considered.

A concern was raised about the decision making process and the reasons for excluding Councillor Westcott from the decision remained unclear.

Councillor B Maitland-Walker expressed support for the Executive Decision believing the appointment had been sensibly made. She understood the reasons and recognised there should be no conflict of interests during the consideration of applications for S106 funding. For these reasons she proposed an amendment that the Scrutiny Committee do nothing and let the decision stand without review. This was seconded by Councillor J Parbrook.

Councillor M Dewdney confirmed he was asked to be a member of the Planning Obligations Panel and as he represented a community that had very little likelihood of S106 benefit, he would be able to look objectively at any applications for funding.

On being put to the vote the amendment was CARRIED.

This then became the new substantive motion on which there was no further debate.

**RESOLVED** that the Scrutiny Committee do nothing and let the decision stand without review.

**Note:** With the agreement of the Chairman this item was brought forward on the Agenda.

**SC 56**     **Parking Overview**

The report WSC 139/17 was presented by Councillor A Hadley, Lead Member for Regeneration and Economic Growth.

The purpose of the report was to enable a debate on the service provided and to offer an opinion on the effectiveness of the current provision.

West Somerset Council (WSC) held the responsibility for off street parking and the associated Traffic Regulation Orders (TRO). Only WSC could implement or vary the TROs on WSC land. WSC did not have responsibility for on street parking, this was controlled by Somerset County Council (SCC).

The Parking Services Team, through Council approval, administered the fees and charges process. They also set the tariffs for pay and display, pay by phone and permits for the car park.

WSC had bought into a county wide parking enforcement contract which was administered by SCC. SCC also processed the first stage appeals.

WSC managed the income from our service charges, processed second stage appeals for fixed penalty notices and progressed prosecutions through the courts when required.

WSC had a mixed user base, the service managed the needs of residents, visitors and businesses. There were times when those needs were conflicted and Members must make decisions on how best to operate the service for the community as a whole.

The purpose of a designated car park was to clearly state its purpose to the users. A short stay car park would allow for churn because users were restricted to the length of time they could stay. A long stay car park allowed for an unrestricted stay which suited locations that were further from the amenities or served a particular amenity, for example, a railway station.

The current Parking Strategy was out of date in West Somerset, it ran from 2005 to 2011 and history had shown that the work needed to refresh the strategy was significant and was likely to be expensive with no budget in place. Consideration had to be given to the value of the activity with both Councils working toward the potential New Council in 2019, at which point there would be a need to combine a number of strategies.

Service budgets contained the key elements of the operational costs but did not cover everything, it therefore appeared that a surplus was made by the Council beyond its costs. Income was spent either directly through the parking budget or on costs associated with the delivery of the functions.

Consideration could be given to revising the budgets to include all costs and account for all legitimate income to the appropriate service.

Whilst not all the information was contained, the budget managed to ensure that critical services to the parking operation remained funded and that public safety was managed as a priority. It had not been necessary to revise the budget for operational reasons and there had been no negative impact on the

Council's budgets or service standards by operating in this way.

It was noted that the harbour operation was one area where a change could be made in the accounting process.

Tariffs could be used as a means of influencing driver behaviour and WSC would consult with SCC when considering changes that may impact on on-street arrangements.

During discussion, the following points were raised:-

- Currently there were a number of car parks which required costly repairs.
- It was acknowledged that the Car Parking Strategy was no longer fit for purpose, however it was not prudent to spend money to revise the strategy at the present time.
- Various concerns were raised pertaining to parking tariffs and the setting of fees based around operating costs and the transparency of charges across the district.
- Reference was made to a report on the car park maintenance budget which was presented to Members at a recent Audit Committee.
- It was explained that it was WSC's policy to appoint independent assessors to undertake the work of refreshing the car park strategy. New data would be assessed from every car park in the area, conducted over one day, and the data would analyse the pattern of behaviour, providing a true reflection of usage.
- The Lead Member emphasised the cost, timing and resource implications associated with updating the strategy.
- Concerns were expressed about increased on-street parking and low car park usage, particular points were raised regarding Alexandra Car Park in Minehead.

Councillor J Parbrook proposed to set up a task and finish group to look at parking issues within the district which was seconded by Councillor B Maitland-Walker.

**RESOLVED (1)** that the content of the report be noted.

**RESOLVED (2)** that the creation of a Task and Finish Group to look at parking issues in the West Somerset district be endorsed.

**SC 57**

**Appointment of the West Somerset Council Representatives on the Joint Waste Scrutiny Panel**

Scrutiny Committee considered the Council's representation on the Joint Waste Scrutiny Panel.

The Democratic Services Officer for Scrutiny explained the need to clarify the membership prior to the next Joint Waste Scrutiny Panel meeting which was being held the following week. He reported that at a meeting of the Scrutiny Committee held on 16 June 2016, Councillors I Aldridge and J Parbrook were appointed as members on the Joint Waste Partnership Board, however the Minutes should have been recorded to read the Joint Waste Scrutiny Panel.

In the light of this information being brought to the Committee's attention, it was reaffirmed that Councillors Aldridge and Parbrook be West Somerset Council's representatives on the Joint Waste Scrutiny Panel.

**RESOLVED** that Councillors I Aldridge and J Parbrook be duly appointed to the Joint Waste Scrutiny Panel.

**SC 58**     **Scrutiny Committee Work Plan**

The following items were highlighted from the Forward Plan:-

- Clarification would be sought as to whether the Draft Treasury and Investment Strategy would be considered by the Audit Committee.
- Quarter 3 Budget Monitoring to be brought forward to January

**RESOLVED** that the content of the Work Plan be noted.

The meeting closed at 6.35 pm.



## Weekly version of Cabinet Forward Plan published on 2 January 2018

Forward Plan Ref / Date proposed decision published in Forward Plan	Date when decision due to be taken and by whom	Details of the proposed decision	Does the decision contain any exempt information requiring a resolution for it to be considered in private and what are the reasons for this?	Contact Officer for any representations to be made ahead of the proposed decision
FP/18/2/01 19/04/2017	7 February 2018  By Lead Member Resources & Central Support	Title: Draft Annual Budget and Council Tax Setting 2018/19  Purpose: to provide Members with all the information required for Council to approve the revenue budget and council tax requirement for 2018/19 for recommendation to Council	No exempt / confidential information anticipated	Jo Nacey, Financial Services Manager / Deputy S151 01823 356537
FP/18/2/02 19/04/2017	7 February 2018  By Lead Member Resources & Central Support	Title: Draft Capital Programme 2018/19  Purpose: to present the draft Capital Programme 2018/19 for recommendation to Council	No exempt / confidential information anticipated	Jo Nacey, Financial Services Manager / Deputy S151 01823 356537
FP/18/2/03 19/04/2017	7 February 2018  By Lead Member Resources & Central Support	Title: Treasury Management Strategy 2018/19  Purpose: to present the draft Treasury Management Strategy 2018/19, including the Annual Investment Strategy, Minimum Revenue Provision Policy and Prudential Indicators, for recommendation to Council	No exempt / confidential information anticipated	Jo Nacey, Financial Services Manager / Deputy S151 01823 356537
FP/18/2/04 19/04/2017	7 February 2018  By Lead Member for Energy Infrastructure	Title: Hinkley Point  Purpose: to consider any key issues that arise relating to Hinkley Point	No exempt / confidential information anticipated	Andrew Goodchild, Assistant Director Energy Infrastructure 01984 635245
FP/18/2/06 19/01/2017	7 February 2018  By Leader of Council	Title: <b>Corporate Performance Report 2017-18 Quarters 1 and 2</b>  Purpose: to provide Members with an update on progress in delivering corporate priorities and performance of council services	No exempt / confidential information anticipated	Richard Doyle, Corporate Strategy and Performance Officer 01823 356309
FP/18/3/01 19/04/2017	7 March 2018  By Lead Member Resources	Title: <b>Allocation of Section 106 funds held</b>  Purpose: to make proposals for the allocation of	No exempt / confidential information anticipated	Tim Burton, Assistant Director Planning and Environment 01823 358403

Forward Plan Ref / Date proposed decision published in Forward Plan	Date when decision due to be taken and by whom	Details of the proposed decision	Does the decision contain any exempt information requiring a resolution for it to be considered in private and what are the reasons for this?	Contact Officer for any representations to be made ahead of the proposed decision
	& Central Support	monies secured through planning obligations to individual schemes, and to update members with the current funding position		
FP/18/3/02 19/04/2017	7 March 2018 By Lead Member for Energy Infrastructure	Title: Hinkley Point Purpose: to consider any key issues that arise relating to Hinkley Point	No exempt / confidential information anticipated	Andrew Goodchild, Assistant Director Energy Infrastructure 01984 635245
FP/18/3/03 19/04/2017	7 March 2018 By Lead Member Resources & Central Support	Title: Allocation of Hinkley Point C Community Impact Mitigation Funding Purpose: to present the recommendations of the HPC Planning Obligations Board for the allocation of monies from the CIM Fund	No exempt / confidential information anticipated	Lisa Redston, CIM Fund Manager 01984 635218
FP/18/3/04 08/12/2017	7 March 2018 By Lead Member Community and Customer	Title: Discretionary Housing Payment Policy Purpose: to present the Discretionary Housing Payment Policy for recommendation to Council	No exempt / confidential information anticipated	Heather Tiso, Head of Revenues and Benefits 01823 356541
FP/18/3/05 19/01/2017	7 March 2018 By Lead Member Resources & Central Support	Title: <b>Budget Monitoring Report Quarter 3</b> Purpose: to provide Members with details of the Council's expected financial outturn position in 2017/18 for both revenue and capital budgets, together with information relating to predicted end of year reserve balances	No exempt / confidential information anticipated	Jo Nacey, Financial Services Manager / Deputy S151 01823 356537
FP/18/5/01 19/10/2017	23 May 2018	Title: <b>Cabinet Appointments on Outside Bodies</b> Decision: to appoint representatives to serve on outside bodies for the period to the Annual Meeting in 2018 (except where specific periods are stated)	No exempt / confidential information anticipated	Bruce Lang, Assistant Chief Executive 01984 635200

Forward Plan Ref / Date proposed decision published in Forward Plan	Date when decision due to be taken and by whom	Details of the proposed decision	Does the decision contain any exempt information requiring a resolution for it to be considered in private and what are the reasons for this?	Contact Officer for any representations to be made ahead of the proposed decision
FP/18/5/02 19/10/2017	23 May 2018 By Lead Member for Energy Infrastructure	Title: Hinkley Point Decision: to consider key issues relating to Hinkley Point	No exempt / confidential information anticipated	Andrew Goodchild, Assistant Director Energy Infrastructure 01984 635245
FP/18/7/01 19/10/2017	July 2018 By Leader of Council	Title: <b>Corporate Performance Report Quarters 3 and 4</b> Decision: to provide Members with an update on progress in delivering corporate priorities and performance of council services	No exempt / confidential information anticipated	Richard Doyle, Corporate Strategy and Performance Officer 01823 356309
FP/18/7/02 19/10/2017	July 2018 By Lead Member Resources & Central Support	Title: <b>Financial Monitoring Report Quarters 3 and 4</b> Decision: to provide Members with details of the Council's financial outturn position in 2017/18 for both revenue and capital budgets, together with information relating to end of year reserve balances	No exempt / confidential information anticipated	Jo Nacey, Financial Services Manager / Deputy S151 01823 356537
FP/18/7/03 19/10/2017	July 2018 By Lead Member for Energy Infrastructure	Title: Hinkley Point Decision: to consider key issues relating to Hinkley Point	No exempt / confidential information anticipated	Andrew Goodchild, Assistant Director Energy Infrastructure 01984 635245
FP/18/7/04 19/10/2017	July 2018 By Lead Member Resources & Central Support	Title: Allocation of Hinkley Point C Community Impact Mitigation Funding Decision: to present the recommendations of the HPC Planning Obligations Board for the allocation of monies from the CIM Fund	No exempt / confidential information anticipated	Lisa Redston, CIM Fund Manager 01984 635218
FP/18/7/05 19/10/2017	July 2018 By Lead Member Resources & Central Support	Title: <b>Allocation of Section 106 funds held</b> Decision: to make proposals for the allocation of monies secured through planning obligations to individual schemes, and to update members with	No exempt / confidential information anticipated	Tim Burton, Assistant Director Planning and Environment 01823 358403

<b>Forward Plan Ref / Date proposed decision published in Forward Plan</b>	<b>Date when decision due to be taken and by whom</b>	<b>Details of the proposed decision</b>	<b>Does the decision contain any exempt information requiring a resolution for it to be considered in private and what are the reasons for this?</b>	<b>Contact Officer for any representations to be made ahead of the proposed decision</b>
		the current funding position		
FP/18/9/01 19/10/2017	September 2018 By Lead Member for Energy Infrastructure	Title: Hinkley Point Decision: to consider key issues relating to Hinkley Point	No exempt / confidential information anticipated	Andrew Goodchild, Assistant Director Energy Infrastructure 01984 635245

Note (1) – Items in bold type are regular cyclical items.

Note (2) – All Consultation Implications are referred to in individual reports.

The Cabinet comprises the following: Councillors A H Trollope-Bellew, M Chilcott, M Dewdney, A Hadley, C Morgan S J Pugsley, K H Turner and D J Westcott.

The Scrutiny Committee comprises: Councillors P H Murphy, N Thwaites, R Clifford, G S Dowding, B Maitland-Walker, J Parbrook, R Woods, I Aldridge and P Pilkington.

Report Number: WSC 2/18

## West Somerset Council

### Scrutiny Committee – 18 January 2018

#### Financial Standing and MTFP 2018/19

This matter is the responsibility of Councillor Chilcott, Lead Member Resources and Central Services

Report Author: Jo Nacey, Financial Services Manager

#### 1 Executive Summary

- 1.1 The purpose of this report is to provide Scrutiny Committee with an update on budget estimates for 2018/19 and Medium Term Financial Plan (MTFP) forecasts, and to consult with Members on the proposed means of closing the residual Budget Gap for 2018/19.
- 1.2 The provisional funding settlement was issued by Government late December, and included details regarding general revenue grant funding, New Homes Bonus, and business rates retention baseline and tariff. Overall the general grant funding available to deliver services has again reduced significantly in 2018/19:
  - a) General funding, Revenue Support Grant has reduced by £146,692 (46%) whilst Rural Services Delivery Grant was kept at the same level of £171,530.
  - b) New Home Bonus funding has reduced by £148,994 (27%)
- 1.3 The business rates position is skewed by the 2017 Revaluation of rateable values (RV) and adjustments to the Tariff payment the Council is required to make as a result. The Council approved a revised budget and MTFP estimates in August 2017. This reflected an expected increase in retained business rates in 2018/19 due mainly to the uplift in the RV for Hinkley B power station – **therefore this increase is already reflected in our financial forecasts.** Consequently, the net 2018/19 business rates income forecast was revised to £2,647,765. This was an increase of £1,502,650 compared to previous year and included a retrospective one-off credit adjustment (due to timing differenced) of an estimated £1,466,010 to the Tariff. Following the Provisional Settlement the net 2018/19 business rates income forecast has been updated to £2,460,498 – so lower than previously estimated but still a large increase compared to 2017/18.
- 1.4 Due to the timing differences in the adjustment to the Tariff for the 2017 Revaluation, the net business rates income retained for 2019/20 will level out in broad terms, to an estimated £1.8m approximately – which is approximately £670,000 higher than the 2017/18 funding level.

- 1.5 Cabinet is minded to recommend to Full Council a council tax increase of 3.32% (£5 on a Band D) which provides an additional £70,440 income. Together with the higher Tax Base, total council tax funding will increase by £104,694 in 2018/19.
- 1.6 The 2018/19 draft budget also includes a prior year net Collection Fund surplus of £518,700 (£454,036 business rates surplus, £64,664 council tax surplus).
- 1.7 Cabinet is minded to transfer £63,784 to the Business Rates Smoothing Reserve to help mitigate the risks to the level of Business Rates Retention as outlined in the MTFP Strategy and £160k to the Sustainability Reserve to provide further invest to save funds.
- 1.8 The updated Medium Term Financial Plan indicates that, despite forecasting a balanced budget for 2018/19, the ongoing Budget Gap remains challenging considering the savings already assumed within the MTFP and the limited number of areas available to find further savings.
- 1.9 It is also important to emphasise that there remains significant uncertainty in financial forecasts beyond 2019/20. The current four year settlement sets proposed government grant funding up to 2019/20. The outcome of the Fair Funding Review is expected to be implemented in April 2020. Business rates baseline and tariff are due to be reset in 2020, and the proposed move to 100% continues to be developed, perhaps for implementation in April 2020? Notwithstanding these factors which will influence future funding, a major proportion of our retained business rates funding relies on Hinkley. There is a significant risk of funding reduction if Hinkley B is decommissioned earlier than currently forecast or has unplanned outages. There is a high probability that there will be several years between Hinkley B being decommissioned and Hinkley C generating, which would lead to a significant 'trough' in our business rates income. Councillors are strongly advised to plan prudently for this longer term risk when considering budget plans.

## 2 Recommendations

- 2.1 Scrutiny notes the latest budget estimates, and refers any comments to Cabinet on the proposed means of closing the Budget for 2018/19.

## 3 Risk Assessment

### Risk Matrix

Description	Likelihood	Impact	Overall
Risk - West Somerset Council is unable to balance the budget	Feasible (3)	Catastrophic (5)	High (15)
<i>Members approve options to balance the budget</i>	<i>Very Unlikely (1)</i>	<i>Catastrophic (5)</i>	<i>Low (5)</i>

**Risk Scoring Matrix**

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

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

#### **4 Background Information**

- 4.1 The General Fund Revenue Account is the Council's main fund and shows the income and expenditure relating to the provision of services which residents, visitors and businesses all have access to including planning, environmental services, car parks, certain housing functions, community services and corporate services.
- 4.2 The Council directly charges individual consumers for some of its services through fees and charges. The expenditure that remains is mainly funded through a combination of local taxation (including council tax and a proportion of business rates) and through grant funding from Central Government (including Revenue Support Grant, New Homes Bonus and other non-ringfenced and specific grants/subsidy).
- 4.3 Each year the Council sets an annual budget which details the resources needed to meet operational requirements. The annual budget is prepared within the context of priorities identified by Members which are embedded in the Council's current Corporate Plan.
- 4.4 It has been well reported that the Council faces significant and ongoing financial challenges, with a continuation of the annual reductions in Government funding for local council services as the Government seeks to reduce the national

deficit. In addition volatility in other funding sources, such as business rates adds to the financial pressure faced by the Authority.

- 4.5 As such, Members have previously considered a range of important reports that provide background on the Council's financial position and the budget strategy for 2018/19.

## **5 Provisional Finance Settlement 2018/19**

- 5.1 Since the 23 November 2017 report we have received the Provisional Finance Settlement from DCLG. The Final Settlement is expected to be confirmed in early February 2018.

- 5.2 The impact of the Provisional Settlement was provided to All Councillors on the 19<sup>th</sup> December. These changes have been reflected in the MTFP and explanations are provided in the body of this report.

## **6 Fair Funding Review**

- 6.1 Alongside the local government finance settlement, the Government confirmed that it is looking to implement the Fair Funding Review in April 2020 and published the consultation: Fair funding review: a review of relative needs and resources.

- 6.2 This consultation focuses specifically on potential approaches that have been identified to measure the relative needs of local authorities.

- 6.3 In particular, it:

- presents the idea of using a simple foundation formula to measure the relative needs of local authorities, based on a small number of common cost driver;
- considers a number of service areas where in addition, a more sophisticated approach to measuring relative needs may potentially be required; and
- outlines the statistical techniques that could be used to construct relative needs.

- 6.4 The consultation does not cover the relative resources adjustment, transition or other technical matters but these will be the subject of a later series of discussion papers.

## **7 General Grant Funding**

- 7.1 The grant funding from Government is in line with the confirmed multi-year settlement (2016/17 to 2019/20), with the expected reduction in 2018/19 of RSG but a levelling of RSDG which we had expected to reduce in 2018/19, overall a 30% reduction in general revenue grant funding:

Table 1 – General Government Grant

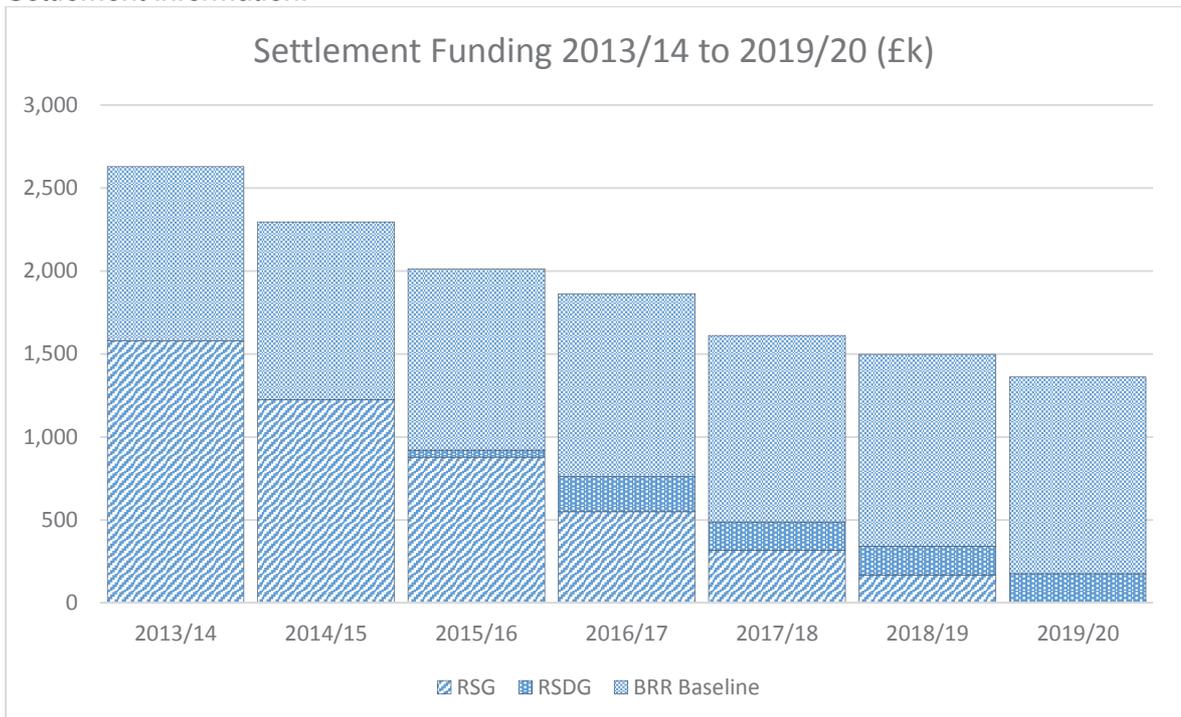
	2017/18 £	2018/19 £	Change £	
Revenue Support Grant (RSG)	316,885	170,193	-146,692	-46%
Rural Services Delivery Grant (RSDG)	171,530	171,530	0	0%
<b>Total General Revenue Grant Funding</b>	<b>488,415</b>	<b>341,723</b>	<b>-146,692</b>	<b>-30%</b>

- 7.2 The multi-year settlement includes further reductions in subsequent years. The following table summarises how these grants are projected to reduce since 2013/14, followed by a graph that clearly demonstrates the downward trend in the Council's Settlement Funding Assessment. During this period, the Settlement will have reduced by 51% in cash terms (estimated 56% in real terms).

Table 2 – Settlement Funding

	13/14 £k	14/15 £k	15/16 £k	16/17 £k	17/18 £k	18/19 £k	19/20 £k
RSG	1,579	1,225	880	550	317	170	6
RSDG*	0	0	41	212	172	172	172
BR Baseline	1,051	1,071	1,092	1,101	1,123	1,157	1,183
Govt Settlement	2,630	2,296	2,013	1,863	1,612	1,499	1,361

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



## 8 Business Rates Retention and 100% Business Rates Pilot Bid

- 8.1 Following an invitation from Central Government on 1 September for local authorities to bid to become a 100% Business Rates Retention Pilot, we submitted a bid alongside the County Council and our other Somerset district partners. We explained to Members that this was not the same proposal as the original 100% Business Rates Retention Scheme that the Government had

been promoting to be implemented by the end of Parliament. This revised scheme referred solely to the retention of the whole of the growth element of Business Rates, 50% of which historically has gone to Government.

- 8.2 The “back-up” position was that if we were not successful in our bid that we would still like to have approval to form a Pool and enjoy the benefits which accrue from the mixture of tariff and top-up authorities from the lower and upper tiers.
- 8.3 There was significant interest in becoming a pilot with Government receiving 27 bids overall. Unfortunately we were not successful despite putting forward a strong bid, with only 10 new pilot areas being agreed. We were however given approval to form a Pool under the existing 50% Retention system and we are currently looking at our Business Rates forecasts alongside our partners to establish how much this could deliver in terms of additional funds. From our initial computations this was forecast to be in the region of up to £600k but there will need to be detailed work undertaken by all Pool members to shore up the most recent projections. We are confident that the potential gains far outweigh the risk of being in a pool, but prudently we have not factored any gain into budget at this stage as it remains uncertain.
- 8.4 The Provisional Settlement announcement by Government on 19 December incorporated adjustments to both the baseline and tariff methodology which led to a reduction of £218k in the Business Rates retained by the Council (see Table 8) compared to previous estimates.
- 8.5 Provisional estimates for Business Rates Collection Fund Net Rates Income is summarised in the table below.

Table 3a Collection Fund Rating Income Estimate 2018/19

	£k
Net Rates Payable (after reliefs)	18,718
Less: Allowance for bad debts	-100
Less: Allowance for appeals	-1,465
<b>Collectible Rates</b>	<b>17,153</b>
Less: Costs of Collection	-77
Less: Disregarded amounts: Renewable Energy	-30
<b>Non-Domestic Rating Income</b>	<b>17,046</b>
<b>WSC 40% Share of NDR Income</b>	<b>6,819</b>

8.6 A summary of the new Retained Funding figure is shown in the table below:

Table 3b – Business Rates Retention Estimates

<b>Business Rates Retention Funding Estimates</b>	<b>2017/18 Budget £</b>	<b>2018/19 Estimate £</b>	<b>2019/20 Estimate £</b>
40% Standard Share of Business Rates Yield	6,620,078	6,818,520	6,974,440
Rates yield from renewable energy schemes	50,000	51,499	52,677
Tariff to Government	-6,058,369	-4,946,961	-5,060,093
One-off Tariff Adjustment 2017 Revaluation	0	1,255,697	0
Levy Payment	0	-1,169,854	-554,396
Safety Net Income	118,676	0	0
S31 Grant	414,730	451,600	437,093
<b>Net Retained Business Rates Funding</b>	<b>1,145,115</b>	<b>2,460,498</b>	<b>1,849,721</b>
Net Retained B Rates Funding as % of yield	6.9%	14.4%	10.6%

8.7 The Council's estimated retained business rates funding has increased by £1,315,383 in 2018/19 compared to 2017/18. **The projected business rates income was increased as part of the 2017/18 revised budget (formally approved by Council in August 2017) to reflect the increase in Hinkley B rateable values following the 2017 Revaluation.** Although this is a welcome increase in funding it brings with it additional risk and an increased levy to Government which is reflected in the table above. The table above also illustrates that this is a temporary increase due to the "one-off tariff adjustment" which the Government has funded in 2018/19 following the 2017 Revaluation. The estimated funding for 2019/20 therefore 'levels out' for the ongoing impact of the 2017 Revaluation (subject to future settlements, the impacts of baseline and tariff resets, possible changes following the Fair Funding Review and implementation of 100% Retention).

## 9 New Homes Bonus

9.1 The New Homes Bonus (NHB) Grant has been in place since 2011/12. It is funding allocated by Government, separate to Revenue Support Grant and Business Rates, which incentivises and rewards housing growth. The NHB grant is non-ringfenced which means the Council is free to decide how to use it. The previous scheme design sets out that each year's Grant allocation would be payable for six years. Historically, all NHB Grant has been used to support ongoing spending of the Council.

9.2 The provisional NHB Grant for 2018/19 is £396,417, which is £148,994 or 27% less than 2017/18, and £27,765 more than our November estimate which is welcome but continues the trend of a falling allocation.

Table 4 – New Homes Bonus 2018/19

	2017/18 £	2018/19 £	Change £	
New Homes Bonus Grant	545,411	396,417	-148,994	-27%

- 9.3 The Government has not changed the New Homes Bonus methodology this year and we continue to see a “top-slice” of 0.4% of growth which is a significant reduction to our limited growth figures each year due to our rurality and other external factors. In addition to the top-slice the Government has confirmed that the rolling up of grants has reduced to 4 years from 2018/19. Our previous MTFP forecasts had been prepared on this basis.
- 9.4 The impact of this new growth baseline is significant, particularly in a predominantly rural area like West Somerset. The actual growth in Band D equivalents in 2017 was 115 or 0.65%. The impact is summarised within the following breakdown of the grant allocation related to 2018/19:

Table 5 – New Homes Bonus 2018/19 Calculation

Net Additions (October 2016 to October 2017)	132
Net increase in empty homes	-17
Absolute net housing growth	115
Net housing growth weighted as Band D equivalents (=0.65%)	110.0
0.4% of October 2016 stock base – Band D equivalents	-68.2
Rewarded units = 0.25% growth – Band D equivalents (rounded)	41.8
NHB Grant for growth (£1,590.55* x 80%** x 41.8)	£53,226
Affordable housing units growth (April 2016 to March 2017)	20
NHB Grant for affordable housing growth (£350 x 80%** x 20)	£5,600
<b>Total NHB Grant allocation related to 2018/19</b>	<b>£58,826</b>

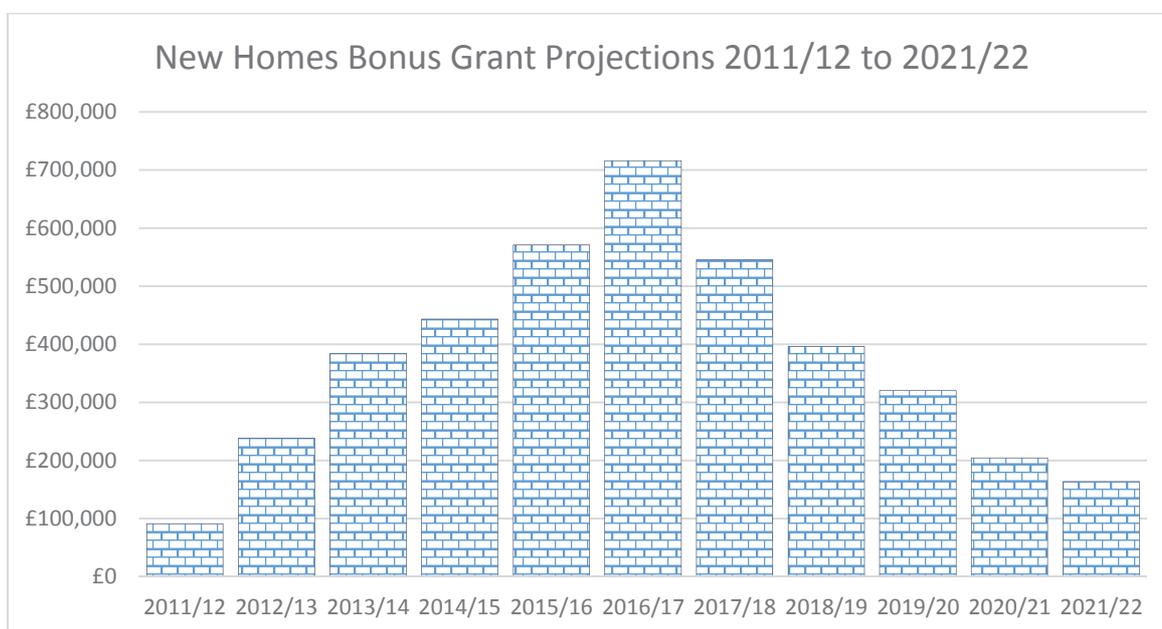
\*£1,590.55 = the national average Band D council tax for 2017/18

\*\*growth is rewarded 80% to lower tier (District), 20% to upper tier (County)

- 9.5 As this shows, housing growth (net of new housing, demolitions and increase in empty homes) of 68.2 Band D equivalents has not been rewarded in 2017/18. This has resulted in a loss of funding of approximately **£86,780** as a result of the new top-slice for 0.4% growth.
- 9.6 The following table and graph summarises the historic allocations of NHB and the MTFP forecast up to 2021/22. The indicative trend indicates this grant source peaked in 2016/17 and further reductions in funding are expected in future years which inevitably adds further financial pressure for the Council's services.

Table 6 – New Homes Bonus Grant Forecast

	11/12 £k	12/13 £k	13/14 £k	14/15 £k	15/16 £k	16/17 £k	17/18 £k	18/19 £k	19/20 £k	20/21 £k	21/22 £k	Totals £k
2011/12	91	91	91	91	91	91						546
2012/13		147	147	147	147	147						735
2013/14			145	145	145	145	145					725
2014/15				60	60	60	60					240
2015/16					128	128	128	128				512
2016/17						145	142	142	142			571
2017/18							70	68	68	68		274
2018/19								59	59	59	59	236
2019/20									51	51	51	153
2020/21										27	27	54
2021/22											27	27
<b>Total</b>	<b>91</b>	<b>238</b>	<b>383</b>	<b>443</b>	<b>571</b>	<b>716</b>	<b>545</b>	<b>397</b>	<b>320</b>	<b>205</b>	<b>164</b>	<b>4,073</b>



## 10 Council Tax

- 10.1 The Secretary of State has confirmed within the Provisional Settlement that Shire Districts are able to increase council tax by the greater of 1.99% or £5 (on a Band D) in 2018/19 without the need for a referendum.
- 10.2 The 2017/18 annual basic tax rate towards the cost of West Somerset Council services, for the average Band D property, is £150.56, and the Council also included £1.76 in respect of the Somerset Rivers Authority (SRA), making the total Band D charge £152.32 on the face of Band D tax bills in 2017/18.
- 10.3 As previously reported to Scrutiny, Cabinet are minded to recommend to Full Council the option to increase Council Tax by 3.32% which equates to the £5 limit on a Band D property, and this is reflected in the draft budget estimates for 2018/19. For an average Band D property this will set the tax rate at £157.32 or £3.03 per week (comprising £155.56 for West Somerset services and £1.76

for the SRA). Any increase above this amount would require a referendum of local tax payers.

- 10.4 The approved Tax Base for 2018/19 is 14,087.92 Band D Equivalents, an increase of 124.7 (0.9%) compared to 2017/18. The draft budget estimates for Council Tax income for WSC is therefore 14,087.92 x £155.56 = £2,191,517. This represents a total increase of £104,694 compared to the previous year. The budget estimates are calculated as follows.

	£
Council Tax Income Budget 2017/18	2,086,823
Increase due to change in Tax Base (Band D equivalents)	18,775
Increase due to proposed 3.32% increase in Tax Rate	<u>85,919</u>
Estimated Total 2018/19	<u>2,191,517</u>

## 11 Somerset Rivers Authority

- 11.1 Members will be aware that the Somerset Rivers Authority are still unable as yet to raise their own precept and it is therefore proposed and supported by the Board members to follow the same arrangements as 2016/17 and 2017/18 and raise a precept for the same Band D value, i.e. £1.76 per year, which is currently included in our base. This will raise £25k funding from WSC in 2018/19. Keeping the precept at this level will make it easier to “unravel it” from our Council Tax computations when the Rivers Authority has precepting power.

## 12 Updated Budget Gap 2018/19 and Plans to Balance the Budget

- 12.1 The 2018/19 Budget Gap as presented to Scrutiny Committee on 23 Nov 2017 was £15k. This table is reproduced in full below:

Table 7 – Draft Budget Gap 2018/19 Reconciliation November 2017

	£k	Budget Gap £k
Budget Gap as reported to Scrutiny 15 <sup>th</sup> June 2017		131
Revised calculation of BRR Tariff Adjustments based on final 16/17 NNNDR3	48	
Council Tax Collection - Additional Court Fees	-30	
Building control contract saving	-23	
Waste Partnership budget pressure	18	
Additional income from Roughmoor Enterprise Centre	-3	
HR budgets unused under joint mgt arrangements	-6	
PSAA audit fees reduction	-21	
Telephones - reduction re WSC - Old Minehead Office link	-10	
Parking - additional income	-20	
Reduction in SHAPE contract fee	-41	
Council Tax £5 increase	-28	
BRR baseline adjustment for Sept RPI at 3.9%	-79	
Transfer to Business Rates Smoothing Res re initial Estimate (CPI)	79	
Council tax base		
Finalising detailed service cost estimates		

	£k	Budget Gap £k
<i>Fees and charges</i>	?	
<i>Delay in Transformation Savings?</i>	?	
<i>Business Rates Volatility?</i>	?	
<i>Asset Management – cost pressure?</i>	?	
<i>Provisional Settlement Impact?</i>	?	
<b>Budget Gap Estimate as at 23<sup>rd</sup> November 2017</b>		<b>15</b>

- 12.2 The Provisional Settlement and some other material changes to budget estimates have significantly changed the Budget Gap for next year, from £15k in November to a surplus of £224k which is proposed to be transferred to the Business Rates Smoothing Reserve (£64k) to address future risk and £60k to the Sustainability Reserve.

Table 8 – Budget Gap Following Provisional Finance Settlement

	£k	Budget Gap £k
Budget Gap as reported to Scrutiny 23 <sup>rd</sup> Nov 2017		<b>15</b>
Council Tax Provisional Estimates - Tax Base Growth	-16	-1
Salary Estimates 2018/19	7	6
Fees and Charges - Environmental Health New Charge	-1	5
Fees and Charges - Harbours	-2	3
Fees and Charges - Parking	3	6
Effect of 2% Pay proposal	3	9
Estimated Council Tax Surplus 2017/18	-65	-56
Estimated BR Surplus 2017/18	-454	-510
BR Retention - Provisional Settlement Tariff and Baseline Adjs	218	-292
Provisional Settlement - Additional RSDG	-40	-332
Provisional Settlement - Additional NHB	-28	-360
Provision for potential delay in 2018/19 Transformation Savings (one-off timing difference)	136	-224
Transfer to Business Rates Smoothing Reserve	64	-160
Transfer to Sustainability Reserve	160	0

### **Council Tax Collection Surplus**

- 12.3 This surplus has resulted as we have recovered more Council Tax than we had previously budgeted. This is as a result of a number of factors including better collection rates, growth and discounts.

### **Business Rates Collection Fund Surplus**

- 12.4 Where the total amount of business rates collected during the year varies from the budget estimates this results in a surplus or deficit balance in the Collection Fund. WSC is entitled to 40% of any surplus balance, with the final projected surplus in 2017/18 forecast at £1,135,090. This reflects an update in the methodology used to estimate the potential cost of appeals and other refunds. Our 40% share of this is £454,036, will be paid into the Collection Fund in

2018/19.

### **Business Rates Retention**

- 12.5 As stated earlier in this report (see para 8.4) the business rates retention estimates have reduced by around £218,000 following changes detailed in the Provisional Settlement.

### **New Homes Bonus**

- 12.6 As stated earlier in this report (see section 7) the NHB grant funding is more than previously estimated.

### **Sustainability Fund**

- 12.7 Cabinet are minded to transfer £160,000 to the Sustainability Fund, which will provide additional one-off funds to support invest to save initiatives such as key asset management projects that will seek to improve the ongoing revenue budget position.

## **13 Business Rates Smoothing Reserve**

- 13.1 As previously reported, the Council's share of business rates funding can be volatile. Financial provisions are maintained in respect of appeals and bad debts, however there remains a risk that rating income can fall below our budget estimates. The Council maintains a Business Rates Smoothing Reserve which provides a contingency for volatility in the Council's retained funding. The reserve was depleted by the previous Hinkley B appeal in 2015 and since that time the Council has prudently replenished the Reserve with a view to providing some resilience against further appeals and Business Rates losses.

- 13.2 The resulting balance in the reserve would be as follows:

Table 10a – Provisional Business Rates Smoothing Reserve Balance

	£
<b>Opening Balance 1 April 2017</b>	<b>305,144</b>
2017/18 Budget – 2016/17 Surplus	480,635
2017/18 planned transfer to Balance 2017/18 Budget	-264,917
<b>Projected Closing Balance March 2018</b>	<b>520,862</b>
2018/19 Budget – Transfer re Multiplier change to CPI	78,932
2018/19 Budget – Contingency for higher risk above safety net	861,600
2018/19 Budget - Proposed transfer from 2018/19 Budget Setting	63,784
<b>Projected Closing Balance March 2019</b>	<b>1,525,178</b>

- 13.3 The current financial strategy aims to hold a minimum smoothing reserve balance of c£1.6m. This level of reserve is adequate to cover the current Business Rates risk however we are mindful that there will undoubtedly be a significant dip in Business Rates income when Hinkley B is decommissioned and before Hinkley C comes on stream. This is a significant risk for the West Somerset Council finances and we should take prudent steps to mitigate this significant fall in revenue.

- 13.4 The quantum of this risk is the difference between the level of Business Rates income we have in the budget and the safety net. The table below shows the

current estimated budget in relation to the safety net, highlighting the level of funds at risk i.e. if business rates funding falls we would need to cover the “funding at risk” from our own reserves before the safety net is triggered. The safety net is also potentially lower under as part of the business rates pool.

Table 10b - Funding at Risk

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Budgeted Business Rates Funding	2,460,498	1,849,721	1,886,095	1,921,301	1,955,363
Safety Net	-1,070,141	-1,094,546	-1,116,793	-1,139,040	-1,161,288
<b>Funding at risk</b>	<b>1,390,357</b>	<b>755,175</b>	<b>769,302</b>	<b>782,261</b>	<b>794,075</b>

13.5 The timing of the decommissioning of Hinkley B and Hinkley C delivering full output is currently fluid. It is not unreasonable to assume that there could be 3 to 4 years between the two Plants being operational. It is anticipated that funding would fall to the safety net during this period therefore it would be prudent to consider increasing the funds set aside within the smoothing reserve over the medium term to increase resilience to cover losses of up to £750k per year for 3 to 4 years to avoid disruption in funding for services.

#### **14 2018/19 Draft Budget Summary**

14.1 The following table provides a summary of the latest Draft Budget position for 2018/19.

Table 11 – Draft Revenue Budget 2018/19

	<b>Revised Budget 2017/18 £</b>	<b>Draft Estimates 2018/19 £</b>
Total Spending on WSC Services	4,590,636	4,624,439
Somerset Rivers Authority Contribution	24,394	24,795
Revenue Contribution to Capital	0	0
Capital Debt Repayment Provision (MRP)	0	143,100
Interest Costs	5,000	5,000
Interest Income	-31,875	-28,000
Transfers to/from Earmarked Reserves	215,718	1,164,316
Transfer to/from General Reserves	30,700	0
<b>AUTHORITY EXPENDITURE</b>	<b>4,834,573</b>	<b>5,933,650</b>
Retained Business Rates	-1,145,115	-2,460,498
Revenue Support Grant	-316,885	-170,193
Rural Services Delivery Grant	-171,530	-171,530
New Homes Bonus	-545,411	-396,417
Surplus(-)/Deficit on Collection Fund – Council Tax	-63,780	-64,664
Surplus(-)/Deficit on Collection Fund – Business Rates	-480,635	-454,036
<b>Expenditure to be financed by District Council Tax</b>	<b>2,086,823</b>	<b>2,191,517</b>
<b>Council Tax raised to fund SRA Contribution</b>	<b>24,394</b>	<b>24,795</b>
Total Council Tax Raised by WSC	<b>2,111,217</b>	<b>2,216,312</b>
Divided by Council Tax Base	13,860.4	14,087.9
<b>Council Tax @ Band D – West Somerset Services</b>	<b>150.56</b>	<b>155.56</b>
<b>Council Tax @ Band D – Somerset Rivers Authority</b>	<b>1.76</b>	<b>1.76</b>
<b>Council Tax @ Band D – WSC including SRA</b>	<b>152.32</b>	<b>157.32</b>
<b>Cost per week per Band D equivalent</b>	<b>2.92</b>	<b>3.02</b>

*Note: this table does not include town/parish precepts.*

## 15 Revised MTFP Position

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

Table 12 – Revised MTFP Summary as at 8 January 2018

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Services Costs	4,590,636	4,585,439	4,432,373	4,585,308	4,682,706	4,827,739
Net Financing Costs	-26,875	-23,000	-23,000	-39,875	-54,250	-49,250
Repayment of Borrowing	0	143,100	143,100	143,100	143,100	143,100
Revenue contribution to Capital	0	39,000	39,000	39,000	39,000	39,000
SRA Contribution	24,394	24,795	0	0	0	0
Earmarked Reserves – Other	215,718	1,164,316	0	0	0	0
General Reserves	30,700	0	0	0	0	0

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
<b>Net Expenditure</b>	<b>4,834,573</b>	<b>5,933,650</b>	<b>4,591,473</b>	<b>4,727,533</b>	<b>4,810,556</b>	<b>4,960,589</b>
Retained Business Rates	-1,145,115	-2,460,498	-1,849,721	-1,886,095	-1,921,301	-1,955,363
Business Rates prior year surplus/deficit	-480,635	-454,036	0	0	0	0
Revenue Support Grant	-316,885	-170,193	-6,340	0	0	0
Rural Services Delivery Grant	-171,530	-171,530	-171,530	-171,530	-171,530	-171,530
New Homes Bonus	-545,411	-396,417	-320,406	-204,664	-163,701	-131,572
Council Tax–WSC	-2,086,823	-2,191,517	-2,248,596	-2,307,136	-2,367,156	-2,428,693
Council Tax–SRA	-24,394	-24,795	0	0	0	0
Council Tax prior year surplus/deficit	-63,780	-64,664	0	0	0	0
<b>Net Funding</b>	<b>-4,834,573</b>	<b>-5,933,650</b>	<b>-4,596,593</b>	<b>-4,569,425</b>	<b>-4,623,688</b>	<b>-4,687,158</b>
<b>Budget Gap</b>	<b>0</b>	<b>0</b>	<b>-5,120</b>	<b>158,108</b>	<b>186,868</b>	<b>273,431</b>
Budget Gap Increase	0	0	-5,120	163,228	28,760	86,563

### Transformation of Services

- 15.2 The MTFP position above already includes the projected savings arising through the implementation of the Transformation Business Case, as summarised below. Without these savings the forecast budget gap would be even greater i.e. **£791k per year** by 2022/23. The savings from transformation included in the MTFP above are:

Table 13 – Transformation Savings

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Incremental Savings	48,000	181,000	203,000	4,500	4,500
Total annual savings	48,000	229,000	432,000	436,500	441,000

- 15.3 We have identified in Section 10 that the Transformation savings relating to 2017/18 and 2018/19 are expected to be delayed and we have added a pressure into the Budget Gap of £136k. We anticipate that the savings will be back on track in 2019/20 and will be delivered in full.
- 15.4 These figures do not include the further savings that are identified in the Business Case that would be delivered through creating a new Council (Option 2).

### Medium Term Forecast

- 15.5 The forecasts for the medium term reflect the position for West Somerset Council on its own. Although it appears, at first glance, with a balanced budget for 2018/19 and 2019/20 that good progress has been made, the budget gap continues to grow and by 2022/23 it is currently projected to be £273k which is 5% of the Net Budget. There are also a number of areas to be finalised which

may change, for example final Business Rates projections and more importantly Business Rates appeals. The underlying financial sustainability challenge remains. **The medium term financial plan does not reflect an increase in future contributions to the business rates smoothing reserve to mitigate risks highlighted in 13.4 and 13.5 above, which will need to be addressed through the financial strategy and plan for 2019/20 onwards. Prudently we will need to plan to increase reserves by at least £2m over the medium term to mitigate this risk and protect services, which would increase the annual gap from 2019/20 by between £400,000 and £750,000.**

- 15.6 As we outlined in the MTFP Strategy reported to Scrutiny in June 2017, we have sought to close the Budget Gap in 2018/19 by challenging existing budgets and underspends and have avoided having to ask Budget Holders to put forward service savings proposals. This was considered the most appropriate course of action in the short-term pending Transformation and with consideration to the substantial cuts the Council has been forced to make in previous years.

## 16 General Reserves

- 16.1 The current reserves position is shown below. The forecast Outturn for the 2017/18 budget is not yet available but will be reported to Scrutiny in February. Any projected under/overspend will be adjusted through General Reserves.

Table 14 – General Reserves Balance 31 March 2018

	£
Balance Brought Forward 1 April 2017	858,776
2017/18 Budget: Reverse one-off transfers	30,700
2017/18 Earmarked Reserves Returned	79,086
<b>Current Budgeted Balance</b>	<b>968,562</b>
2017/18 Projected Outturn Variance	TBC
<b>Projected Balance 31 March 2018</b>	<b>968,562</b>
Recommended Minimum Balance	600,000
Projected Balance above recommended minimum	368,562

- 16.2 A review of the level of General Reserves will be undertaken in the coming months to consider emerging risks and the current financial position of the Council. Given the future funding risks it is strongly advised to maintain reserves above the minimum, and to increase over the medium term due to business rates funding risk.

## 17 Capital Programme

- 17.1 This is covered in a separate report.

## 18 Risks

- 18.1 **The Fair Funding Review** is proposed to be implemented in April 2020 and we are mindful that this will bring a change in funding methodology which could cause further funding shortfalls. At this stage the impact is unknown but we must highlight this as a future risk.
- 18.2 **The Business Rates Baseline** is due to be “reset” in 2020 whereby Central Government will assess our Baseline funding need. This is of concern as our Baseline could fall leaving us with higher levy payments and thus retaining less of our Business Rates income.
- 18.3 **Ongoing cost pressures** will have a further negative effect on the Council’s budget in particular rising inflation coupled with a limited ability to reduce costs further. Whilst the MTFP tries to anticipate some of these pressures there will be undoubtedly other cost increases which we are not currently aware of.
- 18.4 The **Business Rates receivable from Hinkley C** is an unknown quantity and our budget forecasts currently assume an ongoing income stream from one or other of the Hinkley plants but in practice we expect there to be a gap between Hinkley B and Hinkley C – hence recognising the need to mitigate a ‘trough’ in funding in the middle of the next decade. This is a significant risk.

## 19 Robustness of the Budget Process

- 19.1 The Local Government Act 2003 requires a report on the adequacy of the Council’s financial reserves and for the S151 Officer to report on the robustness of the budget plans. Both of these elements will be included in subsequent reports to Cabinet and Full Council in February.

## 20 Links to Corporate Aims / Priorities

- 20.1 It is important that Councillors recognise the financial position, challenges and risks faced by the Council and fully engage in the corporate and financial planning processes in order to determine an affordable and sustainable set of corporate aims and priorities. This should lead to the Council approving a sustainable final budget and MTFP in February 2018.

## 21 Finance / Resource Implications

- 21.1 The Council’s financial position is set out above within the body of this report. Whilst the draft budget estimates present a balanced draft budget for 2018/19 there is a significant uncertainty in the MTFP forecasts in respect of Hinkley B business rates, which brings significant risk to financial forecasts. Having clarity and confidence about the Hinkley B rateable value and its relationship with the Council’s ongoing funding will make financial and service planning much more robust. Although we have an “agreed” valuation between EDF and the Valuation Office, this can still be appealed for various reasons including outage.
- 21.2 It is important that Councillors have a good understanding of the financial position and forecasts over the medium term.

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

## **22 Legal Implications**

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

## **23 Environmental Impact Implications**

- 23.1 None for the purposes of this report.

## **24 Safeguarding and/or Community Safety Implications**

- 24.1 None for the purposes of this report.

## **25 Equality and Diversity Implications**

- 25.1 None for the purposes of this report.

## **26 Social Value Implications**

- 26.1 None for the purposes of this report.

## **27 Partnership Implications**

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

## **28 Health and Wellbeing Implications**

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

## **29 Asset Management Implications**

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

## **30 Consultation Implications**

- 30.1 None for the purposes of this report.

## **31 Scrutiny Comments / Recommendation(s)**

- 31.1 Scrutiny comments are invited at this meeting, for consideration by Cabinet and in forming recommendations to Members to address the ongoing financial

sustainability of the Council.

**Democratic Path:**

- **Scrutiny Committee – Yes**
- **Cabinet – Yes**
- **Full Council – Yes**

**Reporting Frequency: Annual**  
**Contact Officers**

Name	Jo Nacey	Name	Paul Fitzgerald
Direct Dial	01823 219490	Direct Dial	01823 257557
Email	<a href="mailto:j.nacey@tauntondeane.gov.uk">j.nacey@tauntondeane.gov.uk</a>	Email	<a href="mailto:p.fitzgerald@tauntondeane.gov.uk">p.fitzgerald@tauntondeane.gov.uk</a>



Report Number: WSC 3/18

## West Somerset Council

### Scrutiny Committee – 18<sup>th</sup> January 2018

#### Capital Programme Draft Budget Estimates 2018/19

This matter is the responsibility of Cabinet Member Mrs Mandy Chilcott

Report Author: Jo Nacey, Financial Services Manager

#### 1 Executive Summary

- 1.1 The purpose of this report is to provide Members with the detail of the Capital bids for the 2018/19 Capital Programme and the proposed source of funding.
- 1.2 The Draft Capital Programme only includes essential investment in core IT systems of £26,000 and £350,000 for Disabled Facilities Grants which are funded via contributions from the Better Care Fund.
- 1.3 The total Draft 2018/19 Capital Programme is £376,000.

#### 2 Recommendations

- 2.1 That Scrutiny Committee notes the Draft 2018/19 Capital Programme totalling £376,000, and the current unallocated capital resources position.

#### 3 Risk Assessment (if appropriate)

##### Risk Matrix

Description	Likelihood	Impact	Overall
Assumptions regarding the availability of capital resources are inaccurate, affecting the affordability of the capital programme.	2	4	8
<i>The delivery of asset disposals is actively managed, capital receipts are monitored closely, and expenditure plans are controlled to reflect the actual timing and amount of receipts.</i>	2	4	8
Asset management information is incomplete or inaccurate, resulting in ineffective asset management prioritisation.	3	4	12
<i>The Asset Management Group carefully controls and monitors planned and unplanned works. The council is the process of updating asset condition information to better inform plans in future.</i>	3	4	12

### Risk Scoring Matrix

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

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

## 4 Background and Full details of the Report

4.1 The current capital programme approach was approved by Full Council on 26th March 2014. A key part of the strategy concerns the approach to funding the capital programme and states that it will be through:

- a) the disposal of land and buildings;
- b) by maximising third party contributions from grant funding or private sector investment; and
- c) borrowing, as a last resort, in accordance with the Prudential Code and with full regard of the impact on the revenue budget.

4.2 It is proposed to continue to prioritise only essential spend in the short term. In line with the current year strategy it is proposed that the prioritisation of capital bids continues to be based on the following criteria:

- 1) Business Continuity (corporate / organisational)
- 2) Statutory Service Investment (to get to statutory minimum / contractual / continuity)
- 3) Transformation
- 4) Invest to Save
- 5) Other

4.3 Members are also reminded of the additional flexibility that allows authorities to use new capital receipts arising in 2016/17, 2017/18, 2018/19 and 2019/20 to fund up-front revenue costs of initiatives that will deliver ongoing revenue savings or efficiencies.

4.4 The current Capital Programme in 2017/18 includes approved projects (including schemes funded by Hinkley S106 monies) totalling £7.276m plus carry forwards from the previous years' schemes of £3.911m. This gives a total programme of £11.187m. A copy of the current years' programme is included in Appendix A for background information.

4.5 In view of the limited capital resources and future commitments regarding transformation, only bid only bids for essential spend have been sought from services to be included in the Draft 2018/19 Capital Programme. The table below sets out the proposed capital schemes for 2018/19 and suggested funding for these schemes.

Table 1 – Draft Capital Programme 2018/19

Scheme	Priority	Cost £	Funding			Total £
			RCCO £	Capital Grants £	Borrowing £	
PC Refresh	1	6,000	6,000			6,000
Server Refresh	1	20,000	20,000			20,000
DFGs	2	350,000		350,000		350,000
		<b>376,000</b>	<b>26,000</b>	<b>350,000</b>	<b>0</b>	<b>376,000</b>

### Capital Schemes Explained

4.6 **PC Refresh £6,000:** This is a standing annual bid for the replacement of computers and laptops in line with the current refresh programme.

4.7 **Server Refresh £20,000:** The current fleet of servers was refreshed over 6 years ago and is now reaching end of life - latest version of VMWARE virtualisation platform will not run on servers of this age, and the Council will be unable to get support for our current version beyond 2018/19.

4.8 **Disabled Facilities Grants (Private Sector) £350,000:** 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 subject to confirmation of the grant to be received from Somerset County Council's Better Care Fund, it is anticipated the Council will receive £350,000, providing the necessary funding to make this scheme affordable.

## 5 Funding of the Capital Programme

5.1 Funding for capital investment by the Council can come from a variety of sources:

- Capital Receipts
- Grant Funding
- Capital Contributions (e.g. from another Local Authority/s.106 Funding)
- Revenue budgets/reserves (often referred as RCCO – Revenue Contributions to Capital Outlay)
- Borrowing

5.2 Table 1 above summarises the proposed funding of the Capital Programme for 2018/19 through capital receipts plus grant funding provided via SCC.

### Funding Sources Explained

5.3 **Capital Receipts:** These come from the sale of the Council's assets. The following table summarises the current and forecast Capital Receipts Reserve balance, including the commitment to fund the repayment of previous capital borrowing in lieu of Minimum Revenue provision in 2017/18.

Table 2 – Capital Receipts Reserve

	<b>Actual £</b>
Balance Brought Forward 1 April 2016	2,229,638
Capital Receipts income in 2016/17	154,688
Capital Receipts Used in 2016/17 to support capital spend	-21,912
Capital Receipts used in 2016/17 to repay capital debt	-143,100
<b>Balance Carried Forward 31 March 2017</b>	<b>2,219,314</b>
Capital Receipts income in 2017/18 (To Date)	1,240
<b>Sub-Total: Available Resources</b>	<b>2,220,554</b>
Funding of Carry Forwards from 2016/17	-1,007,215
2017/18 Approved Capital Programme	-12,500
Use of Capital Receipts for debt repayment in 2017/18	-143,100
<b>Uncommitted Balance</b>	<b>1,057,739</b>

- 5.4 **Grant Funding:** The Council receives capital grant for Disabled Facilities Grant. The confirmed grant for 2018/19 is expected to be £350,000. This funding is allocated via 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. WSC has representation on various groups to try and ensure our interests are protected.
- 5.5 **Capital Contributions:** This could take the form of capital contributions from other authorities or developers in the form of s.106 funding.
- 5.6 **Revenue Funding (RCCO):** The Draft Budget for 2018/19 includes a figure of £26,000 in respect of revenue funding towards the capital programme.
- 5.7 **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 flow timing balances rather than taking out a physical loan.

- 5.8 Supporting new capital expenditure through borrowing (internal or external), adds to the Council's underlying Capital Financing Requirement (CFR). The current 2017/18 capital budget includes £3,500,000 in respect of a proposed loan to the Somerset Waste Partnership and £2,982,000 in respect of the mixed development proposal at Seaward Way.
- 5.9 The current and estimated CFR balance for 2017/18 and 2018/19 are summarised in the table below. The Council has used uncommitted capital receipts to fund the repayment of capital borrowing in lieu of MRP. This was included in financial plans up to 2017/18. The Council could consider extending this a further year (or years) if sufficient surplus receipts are available and not required to support capital expenditure.

Table 3 – Capital Financing Requirement (CFR)

	2016/17 £k	2017/18 £k	2018/19 £k
<b>Opening CFR</b>	<b>5,490</b>	<b>5,347</b>	<b>5,204</b>
MRP From Capital Receipts	-143	-143	0
MRP From Revenue Budget			-143
Proposed Capital Expenditure Funded By Borrowing	0	0	2,982
<b>Closing CFR</b>	<b>5,347</b>	<b>5,204</b>	<b>8,043</b>

## 6 Links to Corporate Aims / Priorities

- 6.1 The development of an affordable and deliverable Capital Programme is a key element of the financial strategy encompassing revenue requirements, capital requirements and treasury management plans. Setting an affordable programme and having robust capital resource plans are important steps in delivering financial sustainability of the Council and the valuable services it delivers to the community of West Somerset.

## 7 Finance / Resource Implications

- 7.1 The financial and resource implications are set out in the main body of this report.

## 8 Legal Implications

- 8.1 Managers have considered legal implications in arriving at the recommended draft budget for 2018/19.

## 9 Environmental Impact Implications

- 9.1 None for the purposes of this report.

## 10 Safeguarding and/or Community Safety Implications

- 10.1 None for the purposes of this report.

## 11 Equality and Diversity Implications

- 11.1 Equalities impacts have been considered. No Equality Impact Assessment (EIA) has

been included for Disabled Facilities Grants for 2018/19 as there are no proposed changes. For information Members should refer to the EIA for DFGs provided in the Full Council Report in February 2016.

## **12 Social Value Implications**

12.1 None for the purposes of this report.

## **13 Partnership Implications**

13.1 Disabled Facilities Grants are administered on behalf of West Somerset Council by the Somerset West Private Sector Housing Partnership.

## **14 Health and Wellbeing Implications**

14.1 Disabled Facilities Grants support the health and wellbeing of residents that need additional aids and adaptations in their own homes.

## **15 Asset Management Implications**

15.1 None for the purposes of this report.

## **16 Consultation Implications**

16.1 None for the purposes of this report.

## **17 Scrutiny Comments / Recommendation(s)**

17.1 Scrutiny Committee comments are invited at this meeting, for consideration by Cabinet and in forming final Capital Programme recommendations to Full Council in February 2018.

### **Democratic Path:**

- **Scrutiny – Yes**
- **Cabinet – Yes**
- **Full Council – Yes**

### **Reporting Frequency: Annually**

### **Contact Officers**

Name	Jo Nacey	Name	Paul Fitzgerald
Direct Dial	01823 219490	Direct Dial	01823 217557
Email	<a href="mailto:j.nacey@tauntondeane.gov.uk">j.nacey@tauntondeane.gov.uk</a>	Email	<a href="mailto:p.fitzgerald@tauntondeane.gov.uk">p.fitzgerald@tauntondeane.gov.uk</a>

## FOR INFORMATION – APPROVED CAPITAL PROGRAMME 2017/18

Capital Scheme	Approved Carry Forward 2016/17 £	Proposed Funding		
		Capital Receipts £	Grants / S106 £	Revenue Funding / Borrowing £
<b>General Funded Schemes</b>				
ICT Infrastructure Projects	20,270	11,367		8,903
Annual Hardware Replacement	357	357		
Disabled Facilities Grants	267,090		267,090	
Steam Coast Trail Project	209,277		209,277	
Offsite Backup Facility	15,000	15,000		
Wheddon Cross Public Conveniences	12,000			12,000
Superfast Broadband	240,000	240,000		
JMASS ICT Transformation	274,580	274,580		
Decent Homes Grants	15,910		15,910	
Stair Lift Recycling Grants	760		760	
7 The Esplanade, Watchet	15,000			15,000
East Wharf Contingent Disposal Costs	66,611	66,611		
Cuckoo Meadow Play Equipment	3,460		3,460	
Seaward Way Housing Land	13,800	13,800		
Transformation	196,000	110,000		86,000
CASA Project	83,000	83,000		
Capital Sustainability Fund	64,500	64,500		
Clanville Grange Low Cost Housing Scheme	128,000	128,000		
General S106 Funded Schemes	162,449		162,449	
Hinkley S106 Funded Schemes	2,123,121		2,123,121	
<b>Sub Total 2016/17 Carry Forward Requests</b>	<b>3,911,185</b>	<b>1,007,215</b>	<b>2,782,067</b>	<b>121,903</b>
Capital Scheme	Approved 2017/18 £	Proposed Funding		
		Capital Receipts £	Grants £	Revenue Funding / Borrowing £
ICT Infrastructure Projects	10,000	10,000		
Annual Hardware Replacement	2,500	2,500		
Disabled Facilities Grants	360,00		360,000	
Somerset Waste Partnership - Loan	3,500,000			3,500,000
<b>Sub Total 2017/18 Original Budget</b>	<b>3,872,500</b>	<b>12,500</b>	<b>360,000</b>	<b>3,500,000</b>
Capital Scheme	Supplementary Estimates 2017/18 £	Proposed Funding		
		Capital Receipts £	Grants £	Revenue Funding / Borrowing £
Disabled Facilities Grants	23,380		23,380	
Seaward Way – Mixed Development Proposal	2,982,000			2,982,000
Hinkley S106 Funded Schemes	397,977		397,977	
<b>Sub Total 2017/18 Supplementary Estimates</b>	<b>3,403,357</b>	<b>0</b>	<b>421,357</b>	<b>2,982,000</b>
<b>Current Approved Capital Programme 2017/18</b>	<b>11,187,042</b>	<b>1,019,715</b>	<b>3,563,424</b>	<b>6,603,903</b>



## Scrutiny Committee – Work Programme 2018

<b>18<sup>th</sup> January (Budget)</b>	<b>15<sup>th</sup> February</b>	<b>12<sup>th</sup> April</b>	<b>14<sup>th</sup> June</b>	<b>2<sup>nd</sup> August</b>	<b>TBC</b>
Notes of any Key Cabinet Decisions / Action Points.	Notes of any Key Cabinet Decisions / Action Points.	Notes of any Key Cabinet Decisions / Action Points.	Notes of any Key Cabinet Decisions / Action Points.	Notes of any Key Cabinet Decisions / Action Points.	
Draft Annual Budget – P. Fitzgerald	Q3 Budget Monitoring – P. Fitzgerald.	WSC Corporate Plan 18/19 – R. Doyle	Q4 Performance Report – R. Doyle		
Draft Capital Programme 18/19 – P. Fitzgerald		Somerset Strategic Housing Framework – M. Leeman	Financial Outturn – P. Fitzgerald		
		Health and Wellbeing in WS Task and Finish Report – M. Prouse			