

Taunton Deane Borough Council

Executive – 9 February 2017

Draft General Fund Revenue Budget Estimates 2017/2018

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

Report Author: Jo Nacey, Finance Manager

1 Executive Summary

- 1.1 The purpose of this report is to set out the Draft Budget and proposed Council Tax for 2017/18 to enable Executive to recommend proposals to Full Council for approval. This report includes the revenue implications of the 2017/18 Draft Capital programme which is included in a separate report to this meeting.
- 1.2 The Final Settlement is due to be issued by Government imminently. The provisional funding settlement was issued by Government late December, and included details regarding general revenue grant funding, New Homes Bonus, and business rates retention baseline and tariff. Overall the funding available to deliver services has reduced hugely in 2017/18:
 - a) General funding (Revenue Support and Rural Services Delivery grants) has reduced by a combined £596,000 (47%)
 - b) New Home Bonus funding has increased by £151,000 (4%) but this is after a reduction of 0.4% of the growth figure
 - c) Retained business rates has increased by £79,000 (3%)
- 1.3 Executive is minded to implement a council tax increase of 3.46% (£5 on a Band D) which provides an additional £88,000 income, compared to the previous 1.99% increase assumption in the MTFP. Together with the higher Tax Base, total council tax funding will increase by £457,000 in 2017/18.
- 1.4 Executive is also minded to implement a council tax increase to the Unparished Area of 0.7% (2p on a Band D) which will raise an additional £300 (net of the growth increase).
- 1.5 Overall, funding from general grant, new homes bonus, business rates and council tax has increased by £92,000 (0.7%) in 2017/18.
- 1.6 The 2017/18 draft budget also includes a prior year net Collection Fund surplus of £129,000 (£38,000 business rates deficit, £167,000 council tax surplus).

- 1.7 Executive is minded to progress the Savings Options, totalling £123,000 in 2017/18.
- 1.8 Executive is also minded to use £105,000 from the business rates smoothing reserve in 2017/18 (£38,000 to offset the business rates deficit, £67,000 to balance the Budget).
- 1.9 The updated Medium Term Financial Plan indicates that, despite forecasting a balanced budget for 2017/18, there is a Budget Gap in 2018/19 at a projected £387,980 which will need to be addressed. This figure assumes the Deane House proposals are approved by Full Council on 6 February. If this was not supported the Gap in 2018/19 will be £743k.

2 Recommendations

- 2.1 Executive notes the forecast Medium Term Financial Plan and Reserves position, and notes the S151 Officer's Robustness Statement as set out in Appendix A of this report.
- 2.2 Executive recommends the 2017/18 Draft Budget to Full Council for approval, subject to any amendments required as a result of the Final Funding Settlement.
- 2.3 Executive recommends to Full Council a 2017/18 Council Tax increase of 3.47%, increasing the Band D basic tax rate by £5 to £149.62. This comprises £147.88 for services and £1.74 on behalf of the Somerset Rivers Authority. Executive also recommends an increase to the Special Expenses precept of 0.7% increasing the Band D tax rate from £2.98 to £3.00.
- 2.4 Executive recommends to Full Council the increase in Deane Helpline Fees to mitigate the additional costs of the Pension Deficit pressure. This amounts to an additional £27k income for the Deane House trading account.

3 Risk Assessment

Risk Matrix

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

Risk Scoring Matrix

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

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

4 Background Information

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

strategy for 2017/18.

5 Provisional Finance Settlement 2017/18

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

General Grant Funding

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

Table 1 – General Government Grant

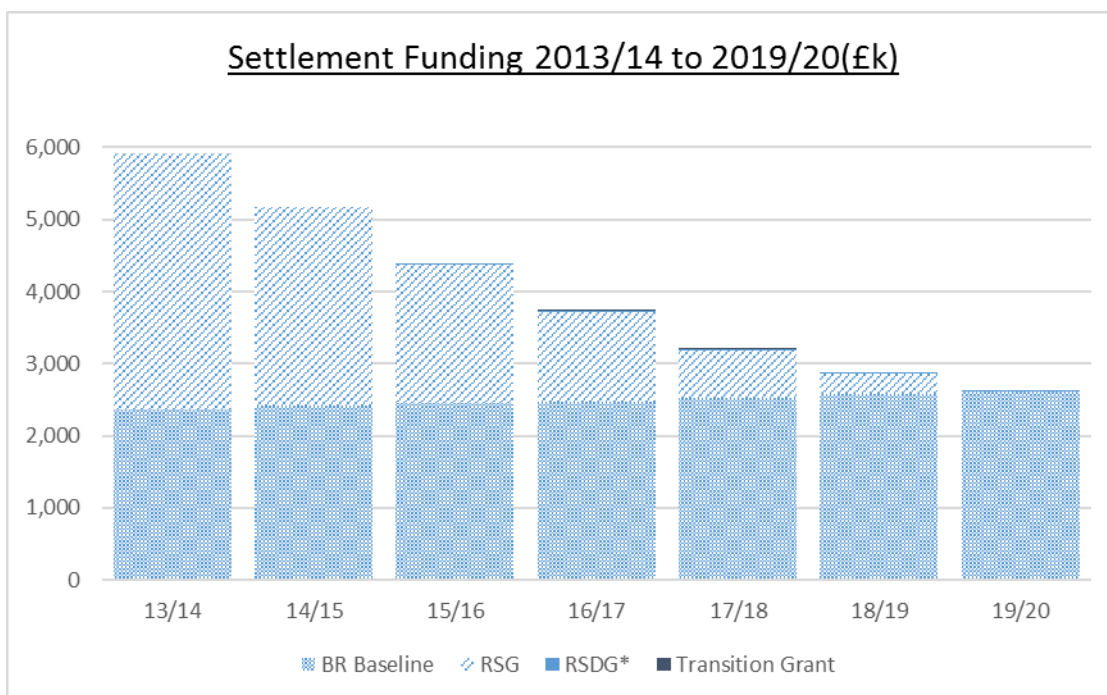
	2016/17 £	2017/18 £	Change £	
Revenue Support Grant (RSG)	1,235,137	644,801	-590,336	-48%
Rural Services Delivery Grant (RSDG)	27,582	22,271	-5,311	-19%
Transition Grant	16,930	16,864	-66	0
Total General Revenue Grant Funding	1,279,649	683,936	-595,713	-46%

- 5.3 The multi-year settlement includes further reductions in subsequent years. The following table summarises how these grants, together with the Business Rates Baseline (BR Baseline) have and are projected to reduce since 2013/14, followed by a graph that clearly demonstrates the downward trend in the Council's Settlement Funding Assessment. During this period, the Settlement will have reduced by 56% in cash terms (estimated 61% in real terms).
- 5.4 The headline reduction in the Settlement funding position is -14.5% from 2016/17 to 2017/18.

Table 2 – Settlement Funding

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

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



6 Business Rates Retention

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

Table 3a – Business Rates Retention Estimates

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

- 6.2 The Council's estimated retained business rates funding has increased by £78,982 in 2017/18 compared to 2016/17. This has marginally reduced the pressure to the Budget Gap.
- 6.3 The final NNDR1 estimates have improved the position by £394k compared to the draft position reported to Scrutiny in January, reflecting updated draft 2017 valuation figures from the VOA and fully worked through analysis of transitional protection and its impact on rate payers' entitlement to reliefs.
- 6.4 The BRR Smoothing Reserve has been increased in previous years due to funding volatility and more recently to recognise the risks regarding NHS Trust

business rates. As the Council will not be in a Pool in 2017/18 this risk is reduced as the Safety Net will provide greater protection. It is therefore possible to consider allocating some of this balance to mitigate funding pressures in 2017/18. The table below sets out the position based on the proposals shown in the table below:

Table 3b – Business Rates Smoothing Reserve

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

100% Business Rates Retention

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

7 New Homes Bonus

- 7.1 The New Homes Bonus (NHB) Grant has been in place since 2011/12. It is funding allocated by Government, separate to Revenue Support Grant and Business Rates, which incentivises and rewards housing growth. The NHB grant is non-ringfenced which means the Council is free to decide how to use it. The previous scheme design sets out that each year’s Grant allocation would be payable for six years. We only use £392k of our NHB allocations each year to help fund our revenue budget. The remaining grant is allocated to our Growth Earmarked reserve.
- 7.2 The provisional NHB Grant for 2017/18 is £4,034,732, which is £151,421 or 3.9% more than 2016/17, and £674,549 more than our December estimate which is good news for our growth aspirations funding but unfortunate in terms of the unexpected growth top slice (see 7.3 below).

Table 4 – New Homes Bonus 2017/18

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

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

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

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

Table 5 – New Homes Bonus 2017/18 Calculation

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

*£1,529.56 = the national average Band D council tax for 2016/17

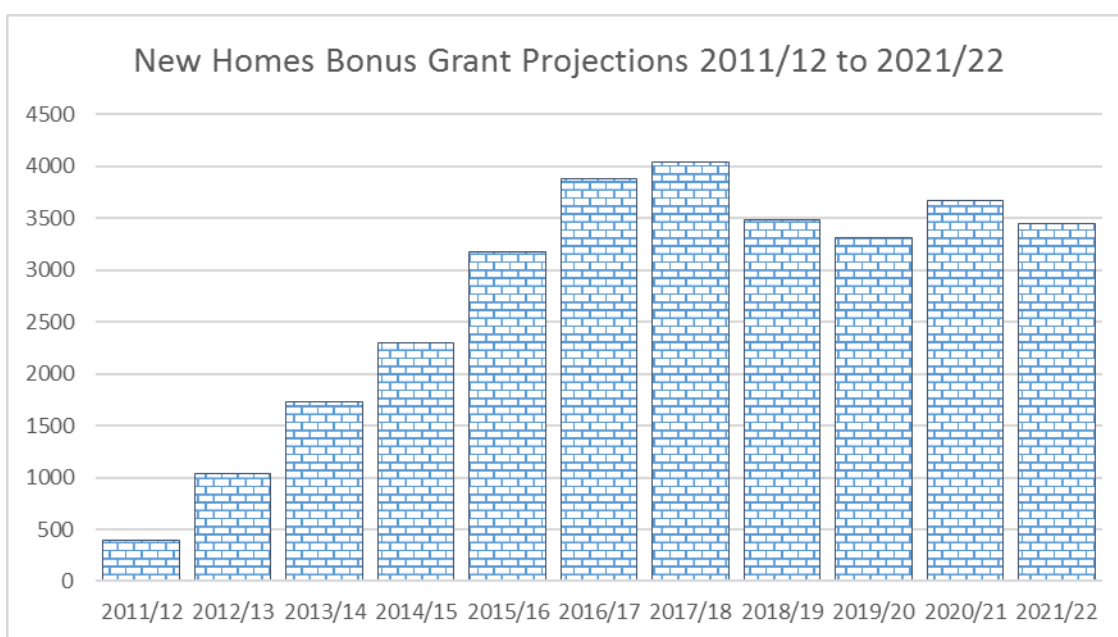
**growth is rewarded 80% to lower tier (District), 20% to upper tier (County)

- 7.5 As this shows, housing growth (net of new housing, demolitions and increase/decrease in empty homes) of 192.4 Band D equivalents has not been rewarded in 2017/18. This has resulted in a loss of funding of approximately **£235,430** as a result of the new top-slice for 0.4% growth. This is in addition to the **£647,745** we have lost as a result of moving from 6 years to 5 years.
- 7.6 The following table and graph summarises the historic allocations of NHB and the MTFP forecast up to 2021/22. Members are advised that the forecast for 2018/19 onwards has now been updated to reflect our assumptions about how the new growth "top-slice" will affect our allocation.

Table 6 – New Homes Bonus Grant Forecast

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

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



8 Council Tax

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

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

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

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

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

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

9 Special Expenses/Unparished Area Budget

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

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

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

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

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

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

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

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

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

Table 7 – Council Tax Support Grant Funding

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

11 Somerset Rivers Authority

- 11.1 Members will be aware that the Somerset Rivers Authority are unable as yet to raise their own precept and it is therefore proposed and supported by the Board members to follow the same arrangements as 2016/17 and raise a precept for the same Band D value, ie £1.74 per year, which is currently included in our base rate. This will raise £71k funding from TDBC in 2017/18. Keeping the precept at this level will make it easier to “unravel it” from our Council Tax computations when the Rivers Authority has precepting power.
- 11.2 The overall opportunity across Somerset aims to raise £2.7m in funding for the SRA in 2017/18. SRA Board members will consider their 2017/18 budget at a meeting being held at the offices of Taunton Deane Borough Council at 10am on Wednesday, 8 February. Comprehensive details of individual proposed schemes will be shared on the Meetings and Papers section of the SRA website on Wednesday, 1 February: <http://www.somersetiversauthority.org.uk/about-us/board-meetings-and-papers/>. In the meantime, draft budget information shared with Somerset authorities indicates that the £2.7m has been prioritised to progress the five key workstreams within Somerset's 20 Year Flood Action Plan. These are:
- dredging and river management
 - land management (including natural flood management)
 - urban water management
 - resilient infrastructure
 - building local resilience
- 11.3 More can be read about the approach the SRA has taken to developing its programme of works for 2017/18 at

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

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

Table 7 – Draft Budget Gap 2017/18 Reconciliation

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

- 12.2 The Provisional Settlement and some other material changes to budget

estimates have significantly increased the Budget Gap for next year, from £403k in December to £859k in January 2017.

Table 8 – Budget Gap Following Provisional Finance Settlement

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

Pension Deficit lump sum/Pension contributions

- 12.3 We have received the initial details of the triennial valuation of the LGPS. The formal valuation documentation is not due to be issued until mid-March but we have had prior notice (which is unlikely to change) of the impact on our budgets. The figures we have been given indicate that the actuaries will propose a significant increase to our lump sum payments and Employers contributions for 2017/18 and in the future.
- 12.4 This is a significant unforeseen pressure and reflects the current markets and changes in assumptions adopted by the actuaries. We have little scope for disputing the rises as the work behind the assumptions is highly specialised and detailed and therefore likely to be appropriate. The pressures shown are for the General Fund but there will also be an impact for the HRA. The figures in the table above are net of this apportionment.

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

Business Rates Collection Fund Deficit

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

Business Rates Retention

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

New Homes Bonus

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

Fees and Charges

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

Savings Options

- 12.10 The initial savings options totalling £122,720 were outlined to Corporate Scrutiny at the meeting in December. Since that time, Executive has indicated their intention to progress with those savings proposals and they have been applied to the MTFP projections pending approval by Full Council.
- 12.11 The savings options are set out in more detail in Appendix B. The options are summarised here:

Table 9 – Savings Options

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

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

13 2017/18 Draft Budget Summary

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

Table 10 – Draft Revenue Budget 2017/18

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

14 Revised MTFP Position

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

Table 11 – Revised MTFP Summary as at 9 February 2017

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

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

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

Transformation of Services

14.3 The MTFP position above already includes the projected savings arising through the implementation of the Transformation Business Case, as

summarised below. Without these savings the forecast budget gap would be even greater i.e. **£2.434m per year** by 2021/22. The savings from transformation included in the MTFP above are:

Table 12 – Transformation Savings

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

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

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

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

Deane House

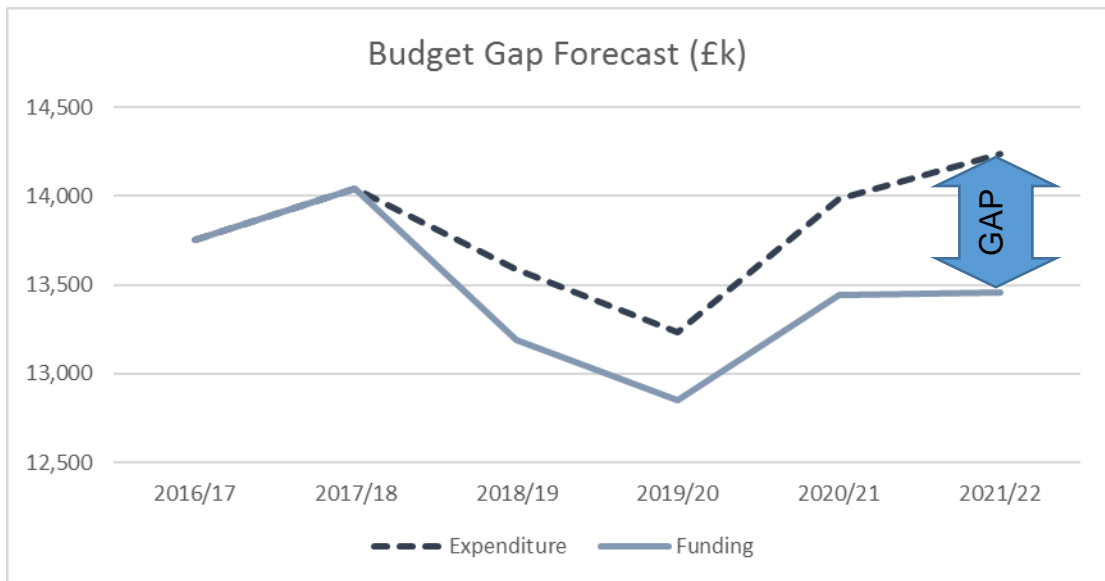
- 14.6 The MTFP has been adjusted to include the mitigating effect of the Deane House Refurbishment project, subject to approval of Full Council 6 Feb. The effect on each year is shown in the table below. The income is based on the occupation of the Police but clearly any additional tenants will bring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

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

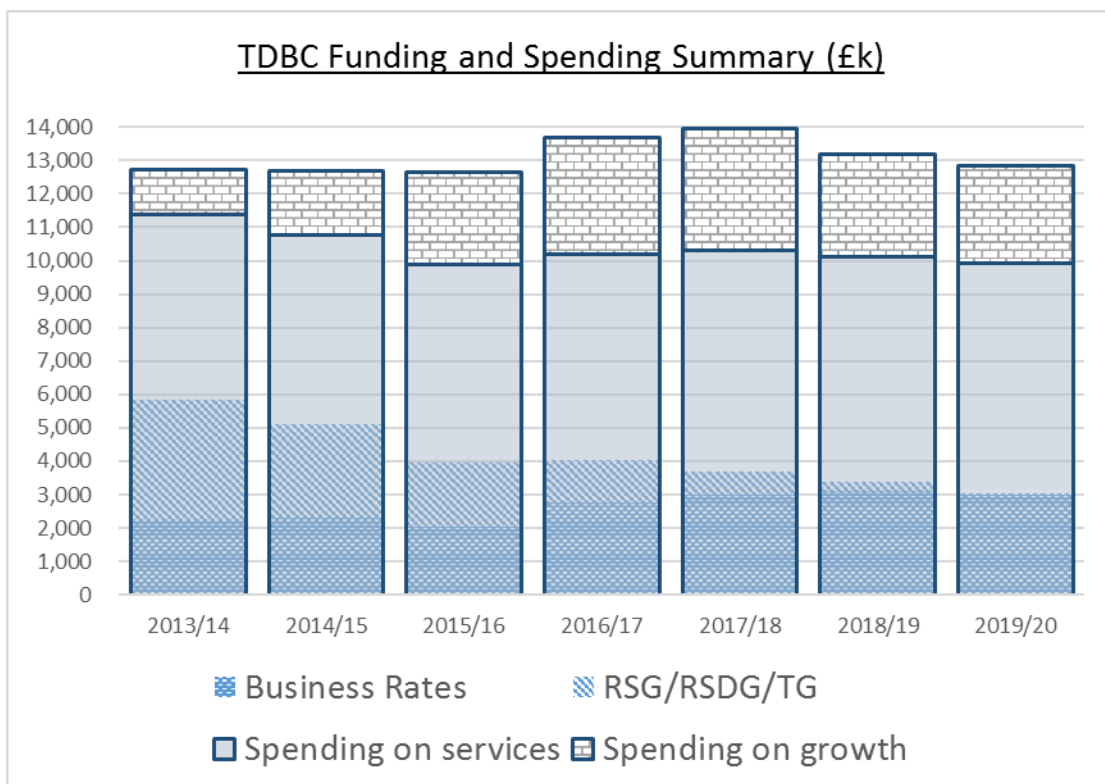
Medium Term Forecast

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

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



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



15 DLO Trading Account

15.1 It has previously been decided to move the Building Maintenance section of the DLO to the Housing and Communities Directorship to align it with its main

client – the Housing Revenue Account. This should provide greater transparency between the services. This will come into effect from 1 April 2017 and the budget duly reflects this.

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

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

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

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

16 Deane Helpline Trading Account

- 16.1 The draft budget had assumed an increase in fees to private customers from £4.99 per week to £5.40 per week and the charge to the HRA for TDBC Tenants is increased by £0.06 to £4.49 per week. This was approved by Full Council in December and reduced the budget gap in 2017/18 by £26,439. Following the emergence of the Pension Fund Deficit increase, Deane Helpline have revised their fees and an Appendix is attached to reflect this and mitigate the effect on the budget gap. This is referred to in the recommendations and in 12.9.
- 16.2 The income budget shown below is based on a prudent projection of income due in the year, and makes an allowance for income collection risks.
- 16.3 The nature of the service means that staff costs are susceptible to increase in order to maintain services through unplanned staffing absences. Some provision has been included within the expenditure budget to provide for essential cover arrangements, although the service manager has reviewed staffing rota arrangements to minimise costs in this area.
- 16.4 The summary trading account is as follows. There are no uncommitted reserves brought forward on this account.

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

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

17 General Reserves

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

Table 13 – General Reserves Balance 31 March 2017

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

18 Capital Programme

- 18.1 This is covered in a separate report.

19 Robustness of the Budget Process

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

Conclusion of the Robustness of the Budget and Adequacy of Reserves

- 19.2 Based on the evidence I have reviewed, I am able to confirm that I believe the Council's reserves to be adequate, and the Executive's draft budget proposals for 2017/18 to be sufficiently robust.
- 19.3 Whilst the budget for 2017/18 is balanced with the support of funding from the Business Rates Smoothing Reserve, this is deliberate to smooth the impact of policy and revaluation change re NDR on the taxpayer. Looking ahead, the medium term financial plan shows that we have a gap of £388k for 2018/19. The future forecasts are the position assuming transformation is delivered on time and at the level predicted in the business case.

20 Links to Corporate Aims / Priorities

- 20.1 It is important that Councillors recognise the financial position, challenges and risks faced by the Council and fully engage in the corporate and financial planning processes in order to determine an affordable and sustainable set of

corporate aims and priorities. This should lead to the Council approving a sustainable final budget and MTFP in February 2017.

21 Finance / Resource Implications

- 21.1 The Council's financial position is set out above within the body of this report. Whilst the draft budget estimates present a balanced draft budget for 2017/18 this relies to some extent on the use of reserves to mitigate the reduction in business rates funding. The Budget Gap for 2018/19 is challenging.
- 21.2 It is important that Councillors have a good understanding of the financial position and forecasts over the medium term.
- 21.3 The MTFP reflects the projected savings from transformation of council services. It does not include the potential further savings projected through the creation of a new single council to replace Taunton Deane and West Somerset Councils.

22 Legal Implications

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

23 Environmental Impact Implications

- 23.1 None for the purposes of this report.

24 Safeguarding and/or Community Safety Implications

- 24.1 None for the purposes of this report.

25 Equality and Diversity Implications

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

26 Social Value Implications

- 26.1 None for the purposes of this report.

27 Partnership Implications

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

28 Health and Wellbeing Implications

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

29 Asset Management Implications

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

30 Consultation Implications

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

31 Scrutiny Comments

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

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

Democratic Path:

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

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

Reporting Frequency: Annual

Contact Officers

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

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

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

STATEMENT BY S151 OFFICER (CHIEF FINANCE OFFICER)

– Shirlene Adam, Director - Operations

1 INTRODUCTION

- 1.1 The purpose of this appendix is to outline and meet the statutory requirements contained in the Local Government Finance Act 2003 which requires the Council's Section 151 Officer to report to Members on:
- The robustness of budget estimates; and
 - The adequacy of proposed reserves.
- 1.2 This appendix provides detailed evidence to support my assessment.
- 1.3 The conclusion of my review is set in the main body of the report (section 17) and repeated at the end of this appendix.

2 BACKGROUND

- 2.1 Taunton Deane Borough Council has a good financial track record and is recognised for being of sound financial standing. Our external auditors have continued to assess the Council's current arrangements for achieving financial resilience as "adequate".
- 2.2 The Council has, like many Districts, a tough financial challenge ahead. The Council has prioritised "Growth" and directs the majority of New Homes Bonus funding to this aim rather than supporting day to day service delivery. This means the Council faces a budget gap.
- 2.3 In July 2016 Full Council supported the Leaders recommendation to progress, the creation of a new transformed Council for the combined communities of West Somerset and Taunton Deane. This will deliver significant savings to the combined community and the financial impact of this transformation elements of the programme of change have been built into the Medium Term Financial Plan.
- 2.4 This was never envisaged to be the "entire" solution, but was a significant step towards viable service delivery for the community. The decision to progress the creation of a new Council delivers further savings for the combined community.
- 2.5 Since this business case was considered, there has been some shift in the Medium Term Financial Plan for both Councils. For Taunton Deane, the challenge has reduced from having to meet a gap of £2.5m by 2021/22 to a gap of £771k by 2021/22. This is largely due to the Transformation savings which account for £1.5m of ongoing savings by 2021/22 and general service savings of £123k which accompany this report. This has been partly offset by the £493k

pressure of the Pension Fund Deficit which has crystallised in 2017/18 with an ongoing effect of increasing costs across services, but we have seen a mitigating effect of an increase in Council Tax base and a proposed increase in Council Tax bills. The proposal to balance the 2017/18 budget using reserves is simply to smooth the impact of the Business Rates changes over time. The Business Rates Smoothing Reserve is in place for this purpose and the use of £65k from this source is reasonable in the context.

- 2.6 The Council has accepted the “4 year deal” on RSG and therefore the budget position is as predicted in earlier plans. We know that we have only one more year of reduced RSG funding before it disappears completely.
- 2.7 On Business Rates, our position reflects the growth in our area over recent times, and, whilst we need to manage a significant risk on appeals, we are forecasting a net increase in retained Business Rates funding from last year of c£79k.
- 2.7 The 2017/18 budget proposal continues the separate charge introduced last year for the Somerset Rivers Authority – adding £1.74 on a Band D Tax position, equivalent to 1.25% of the 2015/16 tax rate.
- 2.8 The budget report prepared sets out the necessary detail to enable Members to make safe budget decisions for 2017/18 and to be sighted on the scale of the financial challenge ahead. From my perspective as your s151 Officer, the budget proposal shared by the Executive is based on the most accurate information available therefore they are an accurate reflection of the Council’s financial position. The key issues to be aware of are as follows:-
- The revenue, capital, and treasury forecasts are aligned and transparent.
 - The budget proposal relies on the use of reserves to support day to day spending. The proposal recommends funding is taken from the Business Rates Smoothing Reserve and leaves the reserve at a level that manages the risks we face. Whilst not good practice to fund ongoing spend from reserves, for specific issues such as Business Rates volatility this makes sense and protects our community from “shocks” to the funding regime each year.
 - Importantly, the budget proposal does not rely on the use of General Fund Reserves to support day to day spending.
 - Looking ahead, the Council needs to now focus on developing plans to resolve the remaining budget challenges - for next year (18/19) and beyond. The decision taken recently to progress transformation and to create a new Council for our community is a large part of the answer, but does not go far enough to achieve financial sustainability for the longer term.
 - The minimum level of reserves remains at £1.6m. Should the budget be approved, the General Fund Reserves are forecast to be £2.1m.

3 ROBUSTNESS OF BUDGET ESTIMATES

- 3.1 The proposed budget for 2017/18 (and the forecast position for future years) is the financial interpretation of the Council's strategic priorities and, as such, has implications for every citizen of Taunton Deane together with all other stakeholders.
- 3.2 The proposed budget reflects the Council's agreed Corporate Plan and the priorities allocated therein. In commenting on the robustness of the budget and level of reserves and balances, the following factors have been taken into consideration and are considered in the remainder of this appendix:

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

4 GOVERNMENT FUNDING

- 4.1 The Council, along with the majority of authorities in the country, accepted the 4 year settlement plan from Government. This provides certainty on the Revenue Support Grant funding for the coming years and gives confidence to that element of financial planning. The reduction in grant funding was therefore as predicted – with the Council receiving £683k (46%) less funding than last year. The final confirmation of this will be received in February 2017. Looking ahead, the level of grant reduces by a further 57% in 18/19 and is reduced to zero thereafter.
- 4.2 The Government continue to develop their policy to move to 100% retention of business rates by the end of this Parliament and shared consultation documents over the autumn of 2016. The detail on how the new scheme will work, and what funding levels will be like for Councils is not yet available and leaves significant uncertainty for all moving forward.
- 4.3 On council tax, the Government have once again set the upper limit at a £5 annual increase for District Councils, and have not imposed an upper limit on Parish Councils precept increases. The Council is proposing a tax increase at the maximum level of £5 – a sound financial policy in light of the financial challenges ahead. The Council's Band D tax charge is proposed to increase to £149.62 for 17/18. Parish Councils continue to be outside the referendum limit set by Government.

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

5 CAPITAL PROGRAMME FUNDING

- 5.1 The Executive's draft budget proposals for the capital programme are set out in a separate agenda item at this meeting. To support the spending plans, councils are required to publish and monitor a set of Prudential Indicators. These will be set out in full in the Treasury Management Strategy Statement – which is shared separately for approval.
- 5.2 The Executive's draft General Fund and HRA capital programmes follow the principles of the Prudential Code and I am satisfied that the treasury implications are clear and within affordable limits.
- 5.3 The Council embraced the new Government policy introduced last year to allow authorities the flexibility to use capital receipts received during a fixed time period to fund revenue spending that is transformational (ie brings revenue savings!). In July 2016, Full Council agreed to direct future capital receipts of £1.574m to part fund the programme of transformation.

6 INFLATION AND OTHER KEY BUDGET ASSUMPTIONS

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

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

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

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

7 DELIVERY OF SAVINGS

- 7.1 The savings proposals presented in this draft budget have been reviewed for robustness, and are realistic and deliverable in terms of the level of saving and the timing.
- 7.2 Delivery of the transformation programme will be monitored during the year. Should there be any risk to the delivery of the identified savings, or the timing, this will be reported to Members via the budget monitoring regime.

8 PARTNERSHIP RISKS & OPPORTUNITIES

- 8.1 The Council has agreed to progress the creation of a new transformed Council. This is a priority and will be the main focus of resource over the coming year.
- 8.1 The Council has several other key partnership arrangements in place to support our ambitions and deliver key services. These are supported by contractual arrangements. There are performance management and governance arrangements in place for each partnership to ensure the Council's interests are protected, and that the expected benefits are fully realised. Risk registers are kept for each key partnership and are regularly reviewed by lead officers.
- 8.2 The most significant arrangement, our Joint Venture with Southwest One is now closed, with services and staff returning to the Council on 1st December 2016.
- 8.3 The other significant partnership in place is the Somerset Waste Partnership. The Waste Partnership has recently proposed a new operating model which should deliver savings to the partners and will help to address the budget challenges.

9 FINANCIAL STANDING OF THE COUNCIL

- 9.1 The Council fully complies with the Prudential Code and has an up to date Treasury Management Policy and Strategy in place and is operating within the agreed

parameters. The Council's Treasury Management Practices are prudent and robust, ensuring the Council is not exposed to unnecessary risk in terms of its investment policies. We continue to work with our treasury advisors (Arlingclose) to maximise investment return whilst preserving capital.

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

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

10 TRACK RECORD IN BUDGET MANAGEMENT

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

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

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

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

11 VIREMENT & CONTROL PROCEDURES

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

12 RISK MANAGEMENT

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

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

12.3 The Council has a Risk Management Policy in place which defines how risk is managed at different levels in the organisation. It defines roles, responsibilities,

processes and procedures to ensure we are managing risk effectively. This matter is reviewed regularly by the Corporate Governance Committee.

- 12.4 Equalities Impact Assessments (EIA) Reviews – where appropriate – are included for Members to review.
- 12.5 Financial risks are managed through budget setting and by our level of reserves. We mitigate as many risks as possible by following good practice, and by monitoring key financial risks on a regular basis.

13 KEY RISK ISSUES IN 2017/18 BUDGET

- 13.1 There are some areas of the proposed budget for 2017/18 that pose a financial risk moving forward. They are detailed below for Members attention. The figures in the proposed budget for 2017/18 are based on our best estimates, which I am comfortable are as robust as possible – but they can never be 100% guaranteed. These will require intensive monitoring throughout the year, and swift corrective action taken should they vary from budget. The issues I need to bring to Members attention are:-
- 13.2 **Business Rates Retention Scheme**. I am satisfied that the Council has put in place arrangements to monitor the flow of Business Rates income and valuation changes throughout the year. The information coming from our Revenues team is robust, and we need to continue to improve our modelling approach to ensure we are forecasting the budget impact with as much accuracy as possible. We need to engage services across the Council to work with us on ensuring all chargeable premises are notified and billed, and this will continue to be a focus of improvement during 17/18. There is a business case in development for investing more resource in this area to manage this risk which will need to be self-financing over the medium term.
- 13.3 The key risks associated with Business Rates Retention for Taunton Deane are:
 - 13.3.1 **Level of Appeals**. The list of outstanding appeals for TDBC totals some £28m (325 appeal cases) and this is clearly a high risk area for us moving forward. We have built good working relationships with the Valuation Office, but this is a huge area of uncertainty that directly impacts on our financial sustainability. There remains a risk nationally on business rates regarding some public sector premises potentially being granted charitable relief. We continue to monitor. The 17/18 budget is set at £691k above the safety net level. The business rates smoothing reserve is forecast to be £1.8m, offering protection against any “shocks” in the system during 17/18.
 - 13.3.2 **Collection Rates**. The continuing “challenge” of collecting tax from businesses who do not have funds remains. Previously the national pool funded any reduction in collection rates. This is now be an issue to be funded locally and we continue to work with businesses to ensure they are sighted on all the assistance available. This will be part of a business case for resources to address the risk I flag in 13.3.1 above.

- 13.3.3 **Reliefs.** All mandatory reliefs were previously funded nationally by the pool. Whilst this has been taken care of in the initial funding calculations, any new mandatory reliefs introduced by the Government would have to be funded 50 : 50 (Central : Local).
- 13.3.4 **Pooling.** The Council decided to join the new Business Rates Pool covering BANES, North Somerset, Somerset County Council, Mendip, Sedgemoor, and South Somerset in 2015/16. The pool has performed well, but will close at the end of 16/17 due to some partners progressing the devolution agenda. A new pool is forming (Sedgemoor, SCC and Mendip) but the Board do not consider it appropriate for Taunton Deane to join their new arrangement (due to risk of appeals in our area).
- 13.3.5 **Levy / Growth.** The “opportunity” is there for local authorities to benefit financially from growth. In simple terms, for every £1 of additional business rates generated (above the Govt set baseline) then TDBC under the current Pooling arrangement would keep c£0.37 however this will not apply in 2017/18 as explained above.
- 13.3.6 **Accounting Arrangements:** To mitigate the risk on this large income stream the Council created a Business Rates Smoothing Reserve. The reserve is predicted to be c£1.8m at the end of 17/18. This is an important means of mitigating fluctuations in Business Rates funding which would otherwise hit taxpayers.
- 13.4 **Council Tax Reduction Scheme.** Members have recently approved the new scheme for 2017/18. We will continue to monitor the financial impact on the Council. The key risks on this item remain as last year – on the level of take-up. To date we are managing this within approved budgets, but it is something that we monitor very closely.
- 13.5 **Housing Benefits / Subsidy.** The funding on this has once again reduced in 2017/18. We expect the responsibility for funding this to shift to local authorities in future years (linked to the 100% retention of NDR), and will monitor any consultations on this closely.
- 13.6 Subsidy budgets are very difficult to estimate due to the fluctuating volume of claims received and the different levels of subsidy payable of types of claimant error. The total benefit subsidy budget is approximately £33m – and therefore small fluctuations in this budget can have a big impact on the budget of the Council. Systems are in place to ensure this is monitored on a monthly basis. In addition assumptions on the level of subsidy payable on Local Authority overpayments are at a prudent level.
- 13.7 The impact of the introduction of the Universal Credit (UC) full service for new claimants will increase in the coming months, with expectations that HB caseload will start to reduce. Resources will still be required to maintain assessment work that informs the Council Tax Rebate scheme, and are also planned to be deployed to local support for personal budgeting advice and assistance to claimants with more complex claims that exceeds the support provided by the DWP. Whilst not yet known, we anticipate the migration of all existing HB cases to UC will take place within the next 2-4 years.
- 13.8 **Interest Rates** – Interest rates have been at a very low level for a long time. The

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

- 13.9 **Impact of Economic Changes** – the Council's budgets reflect our best estimates of the impact of current economic conditions. This is an issue we need to monitor continually through the budget monitoring process – particularly on income streams from car parking, land charges, building control and development control, and expenditure on issues such as homelessness.
- 13.10 **Car Park Fee Income** – as with every year this is a risk area for the Council that will need to be monitored closely.
- 13.11 **Trading Account – Deane Helpline**. The Executive's draft budget recognises the latest information on the expected financial position of the Deane Helpline. The service delivered to the public is excellent, and this will continue in 2017/18, but the underlying financial position, and in particular that of the recharges being placed on this service is in need of fundamental review. The challenge for us via transformation is to find a solution that offers the same valued outcome to our community but isn't underwritten by taxpayers.
- 13.12 **Joint Management & Shared Services** – The budget has been prepared based on the JMASS Business Case approved in 2013, and subsequent transformation business case approved in 2016.
- 13.13 **Overall Funding & Capacity Risk** – the level of Government funding has reduced again for 2017/18. The organisation has made significant savings over recent years, and as the Council reduces in size this brings risk in terms of capacity (to deliver new savings ideas and to deliver significant service change). Investment in our "transformation" agenda will be key to ensuring this risk is mitigated.
- 13.14 **NHB Funding of Growth Ambitions** - the Government have changed policy and are reducing the amount of funding being shared to local authorities via this route. They are reducing the number of years' payable, and are topslicing 0.4% for growth. The Growth programme has now been updated to reflect the updated funding position and is shared with Members as part of the capital programme report.

14 ADEQUACY OF RESERVES

- 14.5 With the existing statutory and regulatory framework, it is my responsibility as s151 Officer to advise the Council about the adequacy of the Council's reserves position.
- 14.6 All earmarked and unearmarked reserves are reviewed at least annually and my opinion updated during the budget setting process each year. The annual review

considers not only the adequacy but the necessity of the reserves. Reserves are not held without a clear purpose.

- 14.7 The Executives draft budget for 2017/18 will rely on – as in earlier years - the use of a transfer from the New Homes Bonus Reserve of £392k and a contribution from the Business Rates Smoothing Reserve.
- 14.8 My opinion is given in the knowledge that known risks (strategic, operational and financial) are managed and mitigated appropriately in line with the Council's policies and strategies.
- 14.9 The headlines of my findings on each key reserve are set out in the remainder of section 14. My conclusions / opinion is set out in section 15.

General Fund Reserve

- 14.10 The predicted General Fund Reserve position is set out in section 17 of the main budget report. The Executive's proposed budget for 2017/18 does not require the use of any *General Fund Reserves*. The predicted balance on the General Reserve, having set the 2017/18 budget is £2.184m (assuming the predicted underspend in 2016/17 materialises).
- 14.11 The minimum level of reserves was last formally reviewed in 2016. The current policy is:

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

This policy remains.

Housing Revenue Account Reserve

- 14.12 The Housing Revenue Account balance is forecast to be £2.099m post budget approval. The minimum level of reserves for the HRA is currently £300 per property (approx. £1.8m).
- 14.13 The budget proposal does not require the use of any reserves to support ongoing spending.

Earmarked Reserves

- 14.14 At the end of 2017/18, the Council expects to have in the region of £11.6m in specific earmarked reserves. The main earmarked reserves include the following:
- Business Rates Smoothing Reserve £1.8m
 - JMASS Reserve £2m
 - Growth Reserves £2m

15 CONCLUSION

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

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

Shirlene Adam
Director – Operations (s151 Officer)
January 2017

**Taunton Deane Borough Council
Fees and Charges 2017/18**

Deane Helpline – Revised

Background

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

Legal Authority

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

Charges

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

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

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

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

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

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

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

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

Private and Council Tenant charges can be increased with notice.

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

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

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

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

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

Discounts

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

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

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

Budget Impacts

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

Equality Impact Assessment

EIA attached

Recommendation

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



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

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

Payment methods:

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

Deane Helpline (24 hour phone line) 01823 257185

Control Centre, Kilkenny Court, Station Approach, Taunton TA2 7QL.

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



Appendix C2

Impact Assessment form and action table

What are you completing this impact assessment for? E.g. policy, service area	Price increases for Deane Helpline
Section One – Aims and objectives of the policy /service	
<p>To increase Private customer Lifeline charges with effect from 1/4/2017 from £4.99 per week to £5.86 per week and increase HRA Lifeline charges in line to £4.80 per week.</p> <p>Each year it is necessary to apply an increase equal to the rate of inflation to maintain the revenue stream at the same position as our competitors and to remain financially viable. Private customers are charged each week for monitoring, lease of equipment, emergency response attendance, key holding and any contact calls.</p> <p>Telecare sensors are at present provided at no cost with a nominal extra charge for the additional monitoring. There is currently an installation charge levied for new contracts of £35 to cover administration and service set up and a nominal charge for multiple Service Users at the same address to cover the increased incidence of calls and emergency attendances.</p> <p>However, the costs of the service are higher than the income generated and these costs have to be recovered or subsidised by the Council. Under the current financial constraints Local Government is under subsidy is no longer a reasonable proposition.</p>	
Section two – Groups that the policy or service is targeted at	
<p>All users of the Deane Helpline service, this includes vulnerable adults, the elderly, and the disabled whether physically or mentally. Those that have recently undergone medical treatment reducing their ability to be independent, those with learning difficulties and anyone that has a need for reassurance to allow them to live independently.</p>	
Section three – Groups that the policy or service is delivered by	
<p>The group comprises the Control Centre Operators, Lifeline Officers, Emergency Response Officers, Admin Team and Management Team all of varying ages. We are not aware of any disabilities among the current staff group. All are White British. No information is held on staff's religion, belief or sexual orientation, these are also not specifically relevant to the changes in this review.</p>	
Section four – Evidence and Data used for assessment	
<p>A full review of the service and its pricing has been undertaken by external consultants. Several local and national Carelines are queried for their pricing structure to ensure the</p>	

Service is in line with the industry.

Section Five - Conclusions drawn about the impact of service/policy/function on different groups highlighting negative impact or unequal outcomes.

As the increase affects all private customers equally no social group will be affected more heavily than any other. Since the 2010 price restructure and regular annual RPI increases customer numbers have risen so no negative impact has been identified to the Service

No negative equality impacts have been identified. Although our service is available to anyone that wishes to use it we recognise that existing Service Users would view the new pricing structure as a significant increase and potentially having those that currently rely on the service cancelling their contracts despite their need for it. For this reason the increase to parity with all other customers was phased in over the course of two years to reduce any financial impact.

Section six – Examples of best practise

Attached is a breakdown of comparable services and their prices, this shows Deane Helpline's charges to be broadly mid-range for services of this type.

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

Assuming an increase of 1.33% (Average CPI Aug 2015-Sep 2016)

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