

# Taunton Deane Borough Council

**Executive – 4 February 2016**

## **Draft General Fund Revenue Estimates 2016/2017**

### **Report of the Finance Manager**

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

#### **IMPORTANT NOTICE FOR MEMBERS**

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

#### **1 Executive Summary**

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

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

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

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

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

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

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

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

## **2 Background**

- 2.1 The purpose of this report is to provide Members with all the information required for Executive to recommend its proposed revenue budget for 2016/17 to Full Council, and for the Executive to recommend its proposed Council Tax rate for 2016/17. The draft 2016/17 Capital Programme, the revenue implications of which are taken into account within the revenue budget, is included as a separate report for this Executive meeting.
- 2.2 The General Fund Revenue Account is the Council's main fund and shows the income and expenditure relating to the provision of services which residents, visitors and businesses all have access to including Planning, Environmental Services, Car Parks, Leisure Services, certain Housing functions, Community Services and Corporate Services.
- 2.3 The Council charges individual consumers for some of its services through fees and charges. The expenditure that remains is mainly funded through a combination of local taxation (including Council Tax and a proportion of business rates) and through grant funding from Central Government (including Revenue Support Grant, New Homes Bonus and other non-ringfenced and specific grants/subsidy).
- 2.4 Each year the Council sets an annual budget which details the resources needed to meet operational requirements. The annual budget is prepared within the context of priorities identified by Members which are embedded in the Council's Corporate Business Plan.
- 2.5 It has been well reported that the Council faces significant and ongoing financial challenges, with a continuation of the annual reductions in Government funding for local council services as the Government seeks to reduce the national deficit.
- 2.6 The framework and approach for budget setting have previously been reported to Members in the following reports:
  - Financial Outturn 2014/15 – Corporate Scrutiny 25 June 2015 / Executive 8 July
  - Medium Term Financial Plan – Corporate Scrutiny 13 August 2015
  - Approach to Budget Setting 2016/17 – Corporate Scrutiny 22 October 2015

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

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

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

### **3 Corporate Scrutiny Comments**

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

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

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

### **4 The Robustness of the Budget Process**

4.1 The Local Government Act 2003 requires a report on the adequacy of the Council’s financial reserves and for the S151 Officer to report on the robustness of the budget plans. The statement in respect of the Draft Budget is included in Appendix A.

#### **Conclusion of the Robustness of the Budget and Adequacy of Reserves**

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

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

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

## **5 Funding From Central Government**

### **Provisional Settlement Funding Settlement - Summary**

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

council tax if all Somerset councils precept)

### 5.3 The provisional settlement also includes other important information:

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

### **Possible Four Year Settlement**

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

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

### **General Fund Revenue Funding**

- 5.7 The following table summarises updated funding baseline:

**Table 1 – Provisional Settlement Funding Assessment headline figures**

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

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

### **Revenue Support Grant (RSG)**

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

**Table 2 – Revenue Support Grant**

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

### ***Rural Services Delivery Grant***

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

***Table 3 – Rural Services Delivery Grant***

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

### ***Retained Business Rates***

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

***Table 4 – Business Rates Indicative Funding Estimates***

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

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

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

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

#### ***Retained Business Rates - Contingent Risk***

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

#### ***Business Rates Pool***

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

#### ***New Homes Bonus Grant (NHB)***

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

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

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

**Table 5 – New Homes Bonus Grant Funding**

Allocations in respect of:	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	Cumulative
	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k
2011/12	392	392	392	392	392	392					2,352
2012/13		648	648	648	648	648					3,240
2013/14			687	687	687	687	687				3,435
2014/15				576	576	576	576				2,304
2015/16					876	876	876	876			3,504
2016/17						699	699	699	699		2,796
<b>Subtotal</b>	<b>392</b>	<b>1,040</b>	<b>1,727</b>	<b>2,303</b>	<b>3,179</b>	<b>3,878</b>	<b>2,838</b>	<b>1,575</b>	<b>699</b>	<b>0</b>	<b>17,631</b>
2017/18							578	578	578	578	2,312
2018/19								516	516	516	1,548
2019/20									516	516	1,032
2020/21										516	516
<b>Total</b>	<b>392</b>	<b>1,040</b>	<b>1,727</b>	<b>2,303</b>	<b>3,179</b>	<b>3,878</b>	<b>3,416</b>	<b>2,669</b>	<b>2,309</b>	<b>2,126</b>	<b>23,039</b>

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

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

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

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

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

### ***Housing Benefit & Council Tax Admin Grant***

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

## **6 Funding from Council Tax**

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

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

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

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

## **7 Somerset Rivers Authority Council Tax Precept**

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

***Table 6 – Potential Tax Increase Including SRA Precept***

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

Potential increase as a percentage	4.89%
------------------------------------	-------

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

## **8 Special Expenses / Unparished Area Budget**

- 8.1 The previous MTFP estimates assumed the Special Expenses Rate (SER) will be subject to a 1.99% increase in 2016/17.
- 8.2 **The Executive is minded to recommend no increase to the Special Expenses Rate in 2016/17 – keeping the Band D Unparished Area Rate at £2.98 per year.**
- 8.3 This recommendation takes into account that the proposal to increase basic tax across the whole area by £5 means any increase in special expenses on top of this would require a referendum of local tax payers.
- 8.4 The Special Expenses income raised through council tax in 2015/16 is £42,900 which is a Band D Equivalent charge per year of £2.98 for the unparished area of Taunton. In addition, the Unparished Area Budget has received a CTS Grant of £6,030 in 2015/16 giving a total budget for the year of £48,930.
- 8.5 At the Full Council meeting on 15 December 2015 Members agreed to reduce the grant funding provided to towns and parishes by 1/3<sup>rd</sup> in 2016/17, by 1/3<sup>rd</sup> in 2017/18 and therefore the current CTS grant is expected to be phased out by 2018/19.
- 8.6 The proposed budget for 2016/17 is therefore £47,382, funded as shown below.

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

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

### ***Council Tax Support (CTS) Grant and Funding for Parishes***

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

2016/17. However the Provisional Settlement includes indicative funding projections with RSG reducing to nil by 2019/20 plus a potential cut to the business rates baseline in 2019/20. At Full Council on 15 December 2015, Members approved the revision of the Local Council Tax Support Scheme from 1 April 2016. Included within the approvals was the preferred option to reduce funding for CTS to parish councils and the unparished area by 1/3rd in 2016/17, 1/3rd in 2017/18 with no grant paid in 2018/19. This has resulted in the following total estimated grant funding from TDBC:

**Table 7 – Council Tax Support Grant Funding**

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

## **9 Addressing The 2016/17 Budget Gap**

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

**Table 8 - 2016/17 Budget Gap Position**

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

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

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

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

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

## 11 HR Implications

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

MTFP position and budget proposals.

## **12 DLO Trading Account**

- 12.1 The implementation of the new ICT system that has been ongoing throughout 2015/16 will allow for the production of a more detailed analysis of spend and income within the DLO, as well as a more streamlined working pattern enhancing productivity. The impact of this has been included within the 2016/17 budget setting process.
- 12.2 Towards the end of 2015/16 and during 2016/17 it was decided to move the Building Maintenance section of the DLO to the Housing and Communities Directorship to align it with its main client – the Housing Revenue Account. This should provide greater transparency between the services.
- 12.3 The General Fund budget includes the trading surplus of £101k providing a contribution to the net income for the Council. Any additional surplus will be transferred to the DLO Trading Account reserve.

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

\* Please note these figures are provisional at this time.

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

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

## **13 Deane Helpline Trading Account**

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

order to maintain services through unplanned staffing absences. Some provision has been included within the expenditure budget to provide for essential cover arrangements, although the service manager has reviewed staffing rota arrangements to minimise costs in this area.

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

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

#### **14 Minimum Revenue Provision (MRP) Policy**

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

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

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

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

#### **15 Draft General Fund Budget Summary 2016/17**

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

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

## 16 Medium Term Financial Plan Summary

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

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

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

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

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

## 17 **General Reserves**

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

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

**General Reserves Forecast**

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

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

**18 Finance Comments**

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

**19 Legal Comments**

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

**20 Links to Corporate Aims**

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

## **21 Environmental and Community Safety Implications**

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

## **22 Equalities Impact**

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

## **23 Risk Management**

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

## **24 Partnership Implications**

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

## **25 Recommendations**

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

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

**Contact Officers:**

**Steve Plenty**

Finance Manager

Tel: 01984 635217

Email: [sjplenty@westsomerset.gov.uk](mailto:sjplenty@westsomerset.gov.uk)

Paul Fitzgerald

Assistant Director – Resources

Tel: 01823 358680

Email: [p.fitzgerald@tauntondeane.gov.uk](mailto:p.fitzgerald@tauntondeane.gov.uk)

Shirlene Adam

Director - Operations

Tel: 01823 356310

Email: [s.adam@tauntondeane.gov.uk](mailto:s.adam@tauntondeane.gov.uk)

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

**STATEMENT BY S151 OFFICER (CHIEF FINANCE OFFICER)**

– Shirlene Adam, Director - Operations

**1 INTRODUCTION**

- 1.1 The purpose of this appendix is to outline and meet the statutory requirements contained in the Local Government Finance Act 2003 which requires the Council's Section 151 Officer to report to Members on:
- The robustness of budget estimates; and
  - The adequacy of proposed reserves.
- 1.2 This appendix provides detailed evidence to support my assessment.
- 1.3 The conclusion of my review is set in the main body of the report (para 4) and repeated at the end of this appendix.

**2 BACKGROUND**

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

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

- 2.6 Looking further ahead, the draft settlement has a significant impact on our future year's forecasts. The figures shared by Government are "indicative" and will no doubt change as various consultations are progressed, but they give a good feel for the direction of travel in terms of Government support. Over the next 4 years, TDBC is predicted to lose all of its RSG funding (which is £1.916m in the 15/16 current year), to lose due to policy change around £3.363m of NHB by 19/20, and will lose due to tariff adjustment (which is effectively negative RSG) around £128k over this same period. By 19/20, we will have £2.513m less in funding per annum than we have currently. Clearly this will have an impact on our ability to deliver services to the community and will be the focus of our need to transform.
- 2.7 The flexibility for councils with lower quartile Band D tax (which includes TDBC) to raise additional council tax offers an opportunity to improve the Council's overall funding position, as does the potential to agree a four year funding settlement with Government. The consultations on New Homes Bonus (NHB) and NDR will bring new risks for us to consider in the future.
- 2.8 The draft settlement also offered the opportunity for authorities in Somerset to raise additional tax to fund the work of the Somerset Rivers Authority of which we are all Members. The request to Government to provide this body with separate precepting powers has not been put in place yet – so in the meantime the Government have offered us the flexibility to add an additional 1.25% to our own Band D Tax position. To progress this, we need to add this to TDBC's budget and tax bill. We can't show this separately on the tax bill but we can add some explanatory words to help our taxpayers understand the increase. The budget report sets out the requirement for this funding and the indicative spending plan for 2016/17. The overall funding request of the SRA is £2.7m of which TDBC's share is £67,987.
- 2.9 The budget report prepared sets out the necessary detail to enable Members to make safe budget decisions for 2016/17 and to be sighted on the scale of the financial challenge ahead. From my perspective as your s151 Officer, the budget proposal shared by the Executive is based on the most accurate information available therefore they are an accurate reflection of the Council's financial position. The key issues to be aware of are as follows:-
- Through a policy change, we are suggesting the Council should progress a policy change on MRP. This provides benefit to the Council's revenue budget whilst maintaining prudent provision for the repayment of debt – albeit over a longer period.
  - The revenue, capital, and treasury forecasts are aligned and transparent.
  - Any "bonus" from being in the Business Rates Pool will be in addition to the budget position shown for 2016/17.
  - The minimum level of reserves has been fundamentally reviewed this year and I recommend that this is increased to £1.6m. Should the budget be approved, the General Fund Reserves will be slightly higher than the minimum level set – offering some contingency for unforeseen events during 2016/17.

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

### **3 ROBUSTNESS OF BUDGET ESTIMATES**

- 3.1 The proposed budget for 2016/17 (and the forecast position for future years) is the financial interpretation of the Council’s strategic priorities and, as such, has implications for every citizen of Taunton Deane together with all other stakeholders.
- 3.2 The proposed budget reflects the Council’s agreed Corporate Business Plan and the priorities allocated therein.
- 3.3 In commenting on the robustness of the budget and level of reserves and balances, the following factors have been taken into consideration and are considered in the remainder of this appendix:

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

### **4 GOVERNMENT FUNDING**

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

significant change is ahead.

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

## 5 CAPITAL PROGRAMME FUNDING

- 5.1 The Executive's draft budget proposals for the capital programme are set out in a separate agenda item at this meeting. To support the spending plans, councils are required to publish and monitor a set of Prudential Indicators. These will be set out in full in the Treasury Management Strategy Statement – which is shared separately for approval.
- 5.2 The Executive's draft General Fund and HRA capital programmes follow the principles of the Prudential Code and I am satisfied that the treasury implications are clear and within affordable limits. The HRA Business Plan review will bring change to the spending plans and we will need to revisit the programme and supporting treasury plan at that point.

## 6 INFLATION AND OTHER KEY BUDGET ASSUMPTIONS

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

<b>Area of Budget</b>	<b>How is this addressed within the TDBC budget process?</b>
Inflation assumptions	General – inflation has <u>not</u> been applied to budgets unless there is direct justification ie as a contract condition.

<b>Area of Budget</b>	<b>How is this addressed within the TDBC budget process?</b>
	<p>Salaries – 1% for 2016/17 and 2017/18, then 2% thereafter.</p> <p>Utilities - based upon estimated contract increases.</p> <p>Pension Contributions – We will be paying 13.5% plus a lump sum of £1.220m in 2016/17.</p> <p>Major Contracts – as per the legal documents supporting the contracts</p>
Income Levels	Income projections are based on <u>realistic</u> assumptions on usage, and the most recent Government guidance on fee levels when appropriate. They also take into account historic trends and current year variations against budget.
Economic assumptions	Investment interest assumptions are based on independent economic forecasts and include the impact of Treasury Management decisions made in earlier years.
Salaries Budgets	<p>As one of the largest areas of spend, the salaries budgets have been reviewed in detail. They have been built up by costing each individual post and cross-checked to the JMASS proposals.</p> <p>The cost sharing arrangement in place to ensure both Taunton Deane Borough Council and West Somerset Council is currently being tested to ensure continued robustness.</p>
Growth in service requirements	The MTFP identifies service growth areas e.g. refuse collection. This is then firmed up by detailed discussions with Managers during the budget process. Growth assumptions for future years in the Council Tax base have been held at 1.0% per year on a prudent estimate of the net effect of local growth, council tax support and other discounts.
Efficiency Initiatives	Where initiatives are sufficiently well developed, they are included in savings plans.
Significant Budget areas which are subject to change during the year	The high risk/high value budgets of the Council are rigorously examined and only prudent increases built into them. In addition when forecasting, the performance in both previous and current years is taken into account.
Member engagement in	Corporate Scrutiny have been updated on the MTFP

<b>Area of Budget</b>	<b>How is this addressed within the TDBC budget process?</b>
budget development	position several times during the budget setting process. The savings proposals were also shared for discussion and, as usual, all Members were issued with a Budget Consultation Pack just before Christmas. All Councillors have had the opportunity to be briefed on the proposals during their Group Meetings in January 2016.
Changes in Legislation	Legislative changes are analysed by officers and their effect built into the MTFP and budget.
Sustainability	<p>The proposed budget takes into account the future financial pressures faced by the Council. Effective financial modelling for the medium term is in place, although there is some risk around confirmation of the 4 year forecast from Government.</p> <p>I am comfortable that best estimates have been used, but will need to continue to update our plans and forecasts as the various financial consultation conclude over the coming months.</p>
Sensitivity Analysis	<p>The financial planning model allows the Authority to predict the likely outcomes of changes to key data ie inflation, council tax, government funding etc. This is helpful in sharing “what if...” scenarios internally and with partners and members.</p> <p>The Budget Consultation Packs issued to Members also provide data on tax choices – showing the impact on the Council of this important decision.</p>
The impact of the Capital Programme on the Revenue Budget	The MTFP identifies changes to the base budget as a result of the capital programme.

## **7 DELIVERY OF SAVINGS**

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

## **8 PARTNERSHIP RISKS & OPPORTUNITIES**

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

business case for transformation.

- 8.2 The Council has several other key partnership arrangements in place to support our ambitions and deliver key services. These are supported by contractual arrangements. There are performance management and governance arrangements in place for each partnership to ensure the Council's interests are protected, and that the expected benefits are fully realised. Risk registers are kept for each key partnership and are regularly reviewed by lead officers.
- 8.3 The most significant arrangement, our Joint Venture with Southwest One is 8 years into a 10 year contract. A report to Full Council in January 2016 outlines the latest position on this and the preferred way forward. Successful delivery of this outcome is key to supporting our transformation ambitions.
- 8.4 The other significant partnership in place is the Somerset Waste Partnership. The Waste Partnership has recently proposed a new operating model which should deliver savings to the partners and will help to address the budget challenges.

## **9 FINANCIAL STANDING OF THE COUNCIL**

- 9.1 The Council fully complies with the Prudential Code and has an up to date Treasury Management Policy and Strategy in place and is operating within the agreed parameters. The Council currently has £92.198m of outstanding external debt (which is within our maximum borrowing level of £220m). The Council currently has £48m of investments (reducing to c£40m by year end) placed in the markets in accordance with our policies.
- 9.2 The Council's Treasury Management Practices are prudent and robust, ensuring the Council is not exposed to unnecessary risk in terms of its investment policies. We continue to work with our treasury advisors (Arlingclose) to maximise investment return whilst preserving capital.
- 9.3 The adequacy of the Council's reserves is discussed later in the appendix.

## **10 TRACK RECORD IN BUDGET MANAGEMENT**

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

<b>Year</b>	<b>£Variance</b>	<b>%Variance of Approved Budget</b>
2011/12	(£535,000)	(4.4%)
2012/13	(£707,000)	(5.4%)
2013/14	(£964,000)	(6.7%)
2014/15	(£222,000)	(1.7%)
2015/16	(£186,000)	(1.0%) forecast

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

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

## **11 VIREMENT & CONTROL PROCEDURES**

- 11.1 The Financial Regulations contain formal rules governing financial processes and approvals (virements are simply transfers of budget between departments). The Financial Regulations and Financial Procedure Notes are currently being reviewed and updated.

## **12 RISK MANAGEMENT**

- 12.1 I am satisfied that the Council has adequate insurance arrangements in place, and that the cover is structured appropriately to protect the Council.
- 12.2 The Council operates a self-insurance fund and this is operating effectively. In recent years, we commissioned external advice on the minimum level of reserves that should be set-aside to support self-insurance. We still consider the £500k level recommended to be adequate.
- 12.3 The Council has a Risk Management Policy in place which defines how risk is managed at different levels in the organisation. It defines roles, responsibilities, processes and procedures to ensure we are managing risk effectively. This matter is reviewed regularly by the Corporate Governance Committee.
- 12.4 Equalities Impact Assessments (EIA) Reviews – where appropriate – are included for Members to review.
- 12.5 Financial risks are managed through budget setting and by our level of reserves. We mitigate as many risks as possible by following good practice, and by monitoring key financial risks on a regular basis.

## **13 KEY RISK ISSUES IN 2016/17 BUDGET**

- 13.1 There are some areas of the proposed budget for 2016/17 that pose a financial risk moving forward. They are detailed below for Members attention. The figures in the proposed budget for 2016/17 are based on our best estimates, which I am comfortable are as robust as possible – but they can never be 100% guaranteed. These will require intensive monitoring throughout the year, and swift corrective action taken should they vary from budget. The issues I need to bring to Members attention are:-
- 13.2 **Business Rates Retention Scheme**. I am satisfied that the Council has put in place arrangements to monitor the flow of Business Rates income and valuation changes throughout the year. The information coming from our Revenues team is robust, and we need to continue to improve our modelling approach to ensure we are forecasting the budget impact with as much accuracy as possible. We need to engage services across the Council to work with us on ensuring all chargeable premises are notified and billed, and this will continue to be a focus of improvement during 16/17. There is a business case in development for investing

more resource in this area to manage this risk which will need to be self-financing over the medium term.

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

13.3.1 **Level of Appeals.** These were previously funded by the National Pool but all appeals approved post 1/4/13 (regardless of how far they go back) will be funded 50:50 (Central Govt : Local Govt). The list of outstanding appeals for TDBC totals some £49m and this is clearly a high risk area for us moving forward. We have built good working relationships with the Valuation Office, but this is a huge area of uncertainty that directly impacts on our financial sustainability. The approach to appeals is likely to change when the Government conclude on their recent consultation on this matter. We will adjust our procedures accordingly.

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

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

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

13.3.4 **Pooling.** The Council decided to join the new Business Rates Pool covering BANES, North Somerset, Somerset County Council, Mendip, Sedgemoor, and South Somerset in 2015/16. The pool is currently performing well, and is forecast to deliver an overall surplus to partners for 2015/16. The pool will continue for 2016/17 and Members will be briefed on progress.

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

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

- 13.3.5 **Levy / Growth.** The “opportunity” is there for local authorities to benefit financially from growth. In simple terms, for every £1 of additional business rates generated (above the Govt set baseline) then TDBC under the Pooling arrangement will keep c£0.37.
- 13.3.6 **Accounting Arrangements:** To mitigate the risk on this large income stream the Council created a Business Rates Smoothing Reserve. The reserve is predicted to be c£1.0m at year end. This is an important means of mitigating fluctuations in Business Rates funding which would otherwise hit taxpayers.
- 13.4 **Council Tax Reduction Scheme.** Members have recently approved the new scheme for 2016/17. We will continue to monitor the financial impact on the Council. The key risks on this item remain as last year – on the level of take-up. To date we are managing this within approved budgets, but it is something that we monitor very closely.
- 13.5 **Housing Benefits / Subsidy.** We expect the administration grant we receive from Government to support this function to reduce further in 2016/17 and have budgeted appropriately. We expect the responsibility for funding this to shift to local authorities in future years (linked to the 100% retention of NDR) and will monitor any consultations on this closely.
- 13.6 The total benefit subsidy budget is approx. £33m – and therefore small fluctuations in this budget can have a big impact on the budget of the Council. Systems are in place to ensure this is monitored on a monthly basis. In addition assumptions on the level of subsidy payable on Local Authority overpayments are at a prudent level.
- 13.7 **Interest Rates** – Interest rates have been at a very low level for a long time. The Executive’s draft budget has been based on cautious and prudent assumptions on interest rate movements taken from forecasts issued by our Treasury Management advisors, Arlingclose. The Treasury Management Strategy is presented to Full Council for approval alongside the budget. This sets out our approach to our investments moving forward. We need to ensure our portfolio is spread widely and thinly to protect the public resource and we have ensured that we have the means and expert support from our advisers to ensure this is effective.
- 13.8 **Impact of Economic Changes** – the Council’s budgets reflect our best estimates of the impact of current economic conditions. This is an issue we need to monitor continually through the budget monitoring process – particularly on income streams from car parking, land charges, building control and development control, and expenditure on issues such as homelessness.
- 13.9 **Car Park Fee Income** – as with every year this is a risk area for the Council that will need to be monitored closely.
- 13.10 **Trading Account – Deane Helpline.** The Executive’s draft budget recognises the latest information on the expected financial position of the Deane Helpline (an anticipated trading loss of c£28k in 2015/16). The service delivered to the public is excellent, and this will continue in 2016/17, but the underlying financial position

is not affordable to the Council moving forward. The challenge for us via transformation is to find a solution that offers the same valued outcome to our community but isn't underwritten by taxpayers.

- 13.11 **Joint Management & Shared Services** – The budget has been prepared based on the JMASS Business Case approved in 2013, and the latest information on the potential costs and savings across the two Councils.
- 13.12 **Overall Funding & Capacity Risk** – the level of Government funding has reduced again for 2016/17. The organisation has made significant savings over recent years, and as the Council reduces in size this brings risk in terms of capacity (to deliver new savings ideas and to deliver significant service change). Investment in our “transformation” agenda will be key to ensuring this risk is mitigated.
- 13.13 **NHB Funding of Growth Ambitions** - the Government are consulting on policy changes on NHB which would result in less funding coming to TDBC from this route. Currently we direct the vast majority of this funding to fund growth projects and Full Council recently reviewed a programme of spend totalling £16m. This will need to be reviewed when the Government confirm their policy changes. It doesn't automatically mean the growth programme ambition needs to reduce – it may be we need to review alternative funding options.

## **14 ADEQUACY OF RESERVES**

- 14.1 With the existing statutory and regulatory framework, it is my responsibility as s151 Officer to advise the Council about the adequacy of the Council's reserves position.
- 14.2 All earmarked and unearmarked reserves are reviewed at least annually and my opinion updated during the budget setting process each year. The annual review considers not only the adequacy but the necessity of the reserves. Reserves are not held without a clear purpose. There has been a report on this during 2015/16 – returning a total of £92k from earmarked reserves to the General Fund Reserve. There will be further scrutiny of key remaining earmarked reserves over the coming months.
- 14.3 The Executives draft budget for 2016/17 will rely on – as in earlier years - the use of a transfer from the New Homes Bonus Reserve of £392k.
- 14.4 My opinion is given in the knowledge that known risks (strategic, operational and financial) are managed and mitigated appropriately in line with the Council's policies and strategies.
- 14.5 The headlines of my findings on each key reserve are set out in the remainder of section 14. My conclusions / opinion is set out in section 15.

### **General Fund Reserve**

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

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

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

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

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

#### **Housing Revenue Account Reserve**

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

#### **Earmarked Reserves**

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

### **15 CONCLUSION**

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

**Shirlene Adam**

**Director – Operations (s151 Officer)**  
**January 2016**

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

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

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

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

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

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

**Equality Impact Assessment – Engage Grant**

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

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

**I have concluded that there is/should be:**

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

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

**Section four – Implementation – timescale for implementation**

Reduction of overall grants budget by 1<sup>st</sup> April 2016

**Section Five – Sign off**

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

**Section six – Publication and monitoring**

Published on  
Completed EIAs are available on the TDBC website

Next review date	Date logged on Covalent
------------------	-------------------------

## Action Planning

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

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

**Equality Impact Assessment – North Taunton Partnership Grant**

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

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

I have concluded that there is/should be:

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

Reasons and documentation to support conclusions:

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

Section four – Implementation – timescale for implementation

Savings must be achieved by 1<sup>st</sup> April 2016

Section Five – Sign off

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

Section six – Publication and monitoring

Published on

Completed EIAs are available on TDBC website

Next review date

Date logged on Covalent

## Action Planning

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

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

	facilitated with another TDBC grantee in regard to this scheme and both groups are now in contact.				
--	--	--	--	--	--

**Equality Impact Assessment – Taunton Citizens Advice Grant**

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

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

## Action Planning

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

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

**Equality Impact Assessment – Taunton East Development Trust Grant**

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

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

**I have concluded that there is/should be:**

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

**Reasons and documentation to support conclusions:**

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

**Section four – Implementation – timescale for implementation**

Savings must be achieved by 1<sup>st</sup> April 2016.

**Section Five – Sign off**

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

**Section six – Publication and monitoring**

Published on  
Completed EIAs are available on the TDBC website.

Next review date	Date logged on Covalent
------------------	-------------------------

### Action Planning

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

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

**Equality Impact Assessment – Wiveliscombe Area Partnership Grant**

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

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

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

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

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

I have concluded that there is/should be:

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

Reasons and documentation to support conclusions

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

Section four – Implementation – timescale for implementation

Savings must be achieved by 1<sup>st</sup> April 2016

Section Five – Sign off

Responsible officer: Housing & Community Project Officer

Date: 15.12.15

Manager: Housing & Community Project Lead

Date: 16.12.15

Section six – Publication and monitoring

EIA and supporting documents are available on TDBC website.

## Action Planning

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

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

**Equality Impact Assessment – Community Council for Somerset Grant**

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

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

**I have concluded that there is/should be:**

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

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

**Section four – Implementation – timescale for implementation**

Savings must be achieved by 1<sup>st</sup> April 2016

**Section Five – Sign off**

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

**Section six – Publication and monitoring**

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

Next review date	Date logged on Covalent
------------------	-------------------------

--	--

**Action Planning**

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

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

**Equality Impact Assessment – Compass Disability Grant**

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

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

**I have concluded that there is/should be:**

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

**Reasons and documentation to support conclusions**

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

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

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

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

**Section four – Implementation – timescale for implementation**

Savings must be achieved by 1<sup>st</sup> April 2016

**Section Five – Sign off**

Responsible officer: Housing & Community Project Officer  
Date: 16.12.15

Manager: Housing and Community Project Lead  
Date: 16.12.15

**Section six – Publication and monitoring**

Published on  
Completed EIAs can be viewed on TDBC website

Next review date

Date logged on Covalent

## Action Planning

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

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

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

**Equality Impact Assessment – Brewhouse Grant**

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

<p>What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used</p>	<p>Discussion with chair of trustees and chief Executive. Review of Scrutiny reports provided by Brewhouse. Attendance by designated TDBC officer at member representatives at regular monitoring meetings. Brewhouse board meeting attendance. General day to day engagement with Brewhouse.</p>
---	---

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

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

**I have concluded that there is/should be:**

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

Reasons and documentation to support conclusions:

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

**Section four – Implementation – timescale for implementation**

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

**Section Five – Sign off**

<p>Responsible officer Ian Timms Date 15.01.16</p>	<p>Management Team Ian Timms Date 15.01.16</p>
--	--

<b>Section six – Publication and monitoring</b>	
Published on 15.01.16	
Next review date N/A	

### Action Planning

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

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

## Appendix K

### Minimum Level of General Reserves

#### 1. BACKGROUND INFORMATION

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

#### 2. APPROACH AND METHODOLOGY

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

#### 3. MITIGATING RISK – GENERAL RESERVES

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

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

#### **4. QUANTIFYING THE FINANCIAL RISK**

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

#### **5. STRIKING A BALANCE QUESTIONNAIRE**

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

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

## **6. CONCLUSION AND NEXT STEPS**

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