

Executive – 4 February 2016

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

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

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

(The meeting commenced at 6.15 pm.)

1. Minutes

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

2. Declarations of Interest

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

3. Somerset Waste Partnership Draft Business Plan 2016-2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Resolved that:-

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

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

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

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

The key elements of the Strategy were:-

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

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

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



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

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

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

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

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

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

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

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

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

5. **Earmarked Reserves Review**

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

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

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

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

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

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

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

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

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

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

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

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

The key principles of the Code were as follows:-

- Ensuring that public bodies put in place the necessary framework to ensure the effective management and control of treasury management activities;
- That the framework clearly stated that responsibility for treasury management lay clearly within the organisation and that the Strategy clearly stated the appetite for risk;
- That value for money and suitable performance measures should be reflected in the framework.

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

Reported that the TMSS for 2016/2017 continued to recognise the increasing risks due to the new regulations in respect of ‘bail in’ for banks. In response to this risk and the wider continuing risks in the financial sector, the TMSS continued to build in greater “diversification” – so that surplus funds were held in a wider range of investments/accounts.

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

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

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

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

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

Resolved that Full Council be recommended to approve:-

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

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

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

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

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

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

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

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

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

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

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

- (1) The Government had confirmed its commitment that Local Government would retain 100% of Business Rates by the end of this Parliament;
- (2) A consultation on New Homes Bonus had been published, setting out options for reducing the number of years paid from six to four, together with other measures to ‘sharpen the incentive’ of the scheme;
- (3) Indicative four year funding information for RSG had shown this would significantly reduce – and for some Councils including Taunton Deane, reduce to nil – by 2019/2020;
- (4) As a consequence of (3) above, the Government was proposing to introduce an increase to the Business Rates Tariff Adjustment in order to ensure that cuts to funding across authorities over the four years were proportional – the indicative cut for Taunton Deane in 2019/2020 was forecast as £127,940;
- (5) The Rural Services Delivery Grant was projected to increase, with the national pot increasing from £15,500,000 in 2015/2016 to £65,000,000 in 2019/2020; and
- (6) The Government had issued draft statutory guidance which would permit local authorities to treat revenue costs “incurred on projects designed to reduce future revenue costs and/or transform service delivery” as capital costs during the periods 2016/2017, 2017/2018 and 2018/2019 – and such costs might be funded

from new capital receipts arising from the sale of assets in each year.

Reported that the Government had also indicated that it was prepared to offer any Council a four-year funding settlement to 2019/2020 if they published an efficiency plan. Although further details from the Government were awaited, the Executive was minded to consider this offer if it was in the Council's interest to do so.

General Fund Revenue Funding

Noted that the following table summarised the updated funding baseline:-

Provisional Settlement Funding Assessment headline figures

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

The report commented in detail on the following sources of General Fund Revenue Funding:-

- Revenue Support Grant;
- Rural Services Delivery Grant;
- Retained Business Rates;
- Retained Business Rates –Contingent Risk;
- Business Rates Pool;
- New Homes Bonus; and
- Housing Benefit and Council Tax Administration Grant.

Funding from Council Tax

The Council Tax Base of 39,072.86 Band D Equivalents had been approved under delegated powers by the Section 151 Officer.

The current annual basic tax rate towards the cost of Taunton Deane Borough Council services, for the average Band D property, was £137.88. The Executive proposal was to recommend a Council Tax increase of £5 in 2016/2017. For an average Band D property this would set a basic Council Tax rate of £142.88 per year (£2.74 per week), an increase of 3.62%.

Using the Council Tax Base for 2016/2017 the draft budget estimate for basic Council Tax income was therefore $39,072.86 \times £142.88 = £5,582,730$ (excluding parish precepts and special expenses). This represented a total increase in budgeted income of £295,232, as shown below:-

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

Somerset Rivers Authority (SRA) Council Tax Precept

Through the Provisional Settlement the Government had also announced that the SCC and the five District Councils in Somerset could raise additional funding for the SRA by setting a precept based on up to 1.25% of each Council's 2015/2016 basic tax rate – which for Taunton Deane was £1.74 a year for a Band D. This would fund the Somerset Rivers Authority in 2016/2017 pending its establishment as a precepting body. The amount of additional Council Tax this would raise in Taunton Deane was £67,987. Assuming SCC also set a precept for the SRA at 1.25% this would raise a further £501,696 from Taunton Deane residents.

The overall opportunity across Somerset aimed to raise £2,700,000 in funding for the SRA in 2016/2017 to progress key workstreams within the Flood Action Plan including:-

- dredging and river management
- urban water management
- resilient infrastructure
- building local resilience

Reported that the Executive was minded to recommend to Full Council the SRA Council Tax Rate of £1.74 for a Band D in 2016/2017.

An increase in the Council's own basic tax of £5 plus the 1.25% increase to precept for the SRA meant a combined increase of £6.74 (4.89%) a year (13p per week) for a Band D. This would result in a total Band D charge for Taunton Deane of £144.62 on the Council Tax bills in 2016/2017. This was set out in the following table:-

Potential Tax Increase Including SRA Precept

2015/16 Taunton Deane Basic Tax Rate (Band D)	137.88
SRA Council Tax (Basic Tax £137.88 + Special Expenses £1.12 = £139.00 x 1.25%)	1.74
Taunton Deane Basic Tax Rate increase proposed	5.00
Potential Band D Equivalent	144.62
Potential increase as a percentage	4.89%

Special Expenses / Unparished Area Budget

The previous Medium Term Financial Plan (MTFP) estimates assumed the Special Expenses Rate (SER) would be subject to a 1.99% increase in 2016/2017.

The Executive was however minded to recommend no increase to the Special Expenses Rate in 2016/2017 – keeping the Band D Unparished Area Rate at £2.98 per year as any increase in special expenses on top of the proposed increase to basic tax would require a referendum of local tax payers.

The Special Expenses income raised through Council Tax in 2015/2016 was £42,900 which was a Band D Equivalent charge per year of £2.98 for the unparished area of Taunton. In addition, the Unparished Area Budget had received a Council Tax Support (CTS) Grant of £6,030 in 2015/2016 giving a total budget for

the year of £48,930.

Noted that at the Full Council meeting on 15 December 2015 Members agreed to reduce the grant funding provided to towns and parishes by 1/3rd in 2016/2017, by 1/3rd in 2017/2018 and therefore the current CTS grant was expected to be phased out by 2018/2019.

The proposed budget for 2016/2017 was therefore £47,382, funded as shown below:-

Special Expenses	£43,362
Grant for CTS	£4,020
Total Unparished Area Budget 2016/17	£47,382

Council Tax Support (CTS) Grant and Funding for Parishes

As mentioned above, Members had approved the revision of the Local Council Tax Support Scheme from 1 April 2016 which included the preferred option to reduce funding for CTS to Parish Councils over a three year period. This had resulted in the following total estimated grant funding from Taunton Deane:-

Council Tax Support Grant Funding

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

Addressing the 2016/2016 Budget Gap

In line with the agreed approach to budget setting, the Executive had considered a number of options to address the Budget Gap. In addition, financial estimates had been reviewed and updated through the budget process and the Budget Gap updated accordingly.

Various changes to the budget gap had been reported through the budget process, both in terms of changes to cost and income estimates through detailed budget work, and as a result of proposed and approved changes by Members. The Draft Budget had closed the budget gap in full through a combination of savings, fees and charges and additional Council Tax income.

The following table summarised the changes to draft budget estimates since November 2015 and included the changes proposed in order to set a balanced budget for 2016/2017:-

2016/17 Budget Gap Position

	£k	Gap £k
2016/17 Budget Gap Estimate 17 November 2015		1,339
Council Tax Collection Fund surplus	-131	

	£k	Gap £k
Transfer of HRA Procurement Savings no longer required	148	
Reduction in MRP re removal of HRA Procurement Savings	-148	
Proposed MRP method change to asset life weighted average	-234	
Car Parking income increase in demand	-100	
One off transfer from EMR re 'P4A'	-100	
Taunton Deane Partnership not paying contribution to TDBC	5	
Remove JMASS non staff savings for savings to be achieved from Terms and Conditions and Transformation	112	
Support Service changes	-25	
Benefits Service – Costs previously funded by New Burdens Grant	59	
Car Parking fees and charges report (approved Full Council Dec 2015)	-860	
Car Park Maintenance, pay on exit and variable message signing, project costs, CCTV (approved Full Council Dec 2015)	411	
Other Fees and Charges (approved Full Council Dec 2015)	-129	
Provisional Settlement – Lower NHB allocation than estimated	75	
Reduction in Transfer to NHB reserve	-75	
Provisional Settlement RSG reduction	46	
Provisional Settlement – Rural Services Delivery Grant removed from RSG	5	
Provisional Settlement – Rural Services Delivery Grant	-7	
CTS Grant reduction – Parishes £13k, Unparished Area £2k (approved Full Council Dec 2015)	-15	
Budget Gap Per Members Budget Pack in December		376
RCCO Budget Not Required	-46	
New Rail Station Feasibility Study	40	
Updated estimate in respect of Street Cleaning Costs	-12	
Support Services – Budget correction	144	
Waste Partnership updated budget requirement	-75	
2016/17 Budget Gap Estimate 21 January 2015		427
Council Tax proposed increase at £5, not 1.99%	-88	
Council tax income - Special Expenses at 0% increase	1	
Unparished Area Fund based on 0% tax rate change, not 1.99%	-1	
Savings Options as set out in Appendix B	-135	
Business Rates Retention 2016/17	-318	
Business Rates Deficit on the Collection Fund	192	
Transfer From Business Rates Retention Smoothing Reserve	-192	
Increase Business Rates Smoothing Reserve in 2016/17	114	
SRA One-off contribution in 2016/17	68	
1.25% Council Tax increase to fund SRA contribution	-68	
Final Housing Benefit and Council Tax Support Admin Grant	TBC	
Budget Gap / (-) Surplus Latest Estimate		0

Noted that a detailed explanation of all the proposals listed above were included in the report.

DLO Trading Account

The implementation of the new ICT system would allow for the production of a more detailed analysis of spend and income within the DLO, as well as a more streamlined working pattern enhancing productivity. The impact of this had been included within the 2016/2017 budget setting process.

The General Fund budget included the usual trading surplus of £101,000 providing a contribution to the net income for the Council. Any additional surplus would be transferred to the DLO Trading Account reserve.

The forecast reserves position for 2016/2017 remained positive and provided some resilience to volatility in trading performance and future investment needs

Deane Helpline Trading Account

The draft budget was based on a freeze for both private customers and Council Tenants with regard to the weekly charge. Installation fees for private customers would also be frozen.

The Deane Helpline was a stand-alone trading account service. In 2016/2017 the estimated deficit was estimated to be £107,000. This deficit would need to be funded by the General Fund.

Minimum Revenue Provision (MRP) Policy

The MRP methodology had been reviewed for 2016/2017 to ensure that the Council's approach was appropriate for Taunton Deane's financial stability and was robust and prudent for future capital expenditure.

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

This was seen to be a prudent approach which, if approved, would result in an annual budget saving of £234,000.

Draft General Fund Budget Summary 2016/2017

The following table compared the proposed budget with the original budget for the current year. The table has been completed assuming a £5 increase as per the current budget assumptions.

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

Medium Term Financial Plan (MTFP) Summary

The Council prepared its annual budget within the context of the MTFP. This provided estimates of the budget requirement and budget gap into future years. The following table provided a summary of the current indicative MTFP based on the current draft budget estimates including savings proposals:-

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

The above estimates included the following main **assumptions** related to funding:-

- The Revenue Support Grant for 2016/2017 was as set out in the Provisional Finance Settlement. It was then projected to diminish to nil by 2019/2020;
- The updated estimates for Business Rates funding for 2016/2017 took into account the cap on the Retail Price Index increase to Rates at 0.80%, and the anticipated tariff adjustment in 2019/2020;
- The updated estimates for New Homes Bonus funding assumed that the number of years allocation would drop. Therefore in 2017/2018 Taunton Deane would only receive five years allocation and in 2018/2019 and subsequent years the Council would only receive a four year allocation; and
- Council Tax was assumed to increase by £5 in 2016/2017 then 1.99% in each subsequent year.

Beyond 2016/2017, the MTFP included anticipated inflationary pressures related to staffing pay awards, price inflation on services and major contracts, as well as the estimated funding position over the next five years.

General Reserves

Further reported that the reserves position was part of the overall financial framework that underpinned the Budget Strategy. This framework included an acceptable minimum reserves position which had recently been reviewed by the Section 151 Officer. It was proposed to increase the minimum reserves to £1,600,000 to reflect the risks facing the Council more robustly and to protect services to the community.

Noted that the current General Fund Reserves balance was £1,740,000. This was only £140,000 above the new recommended minimum balance.

Based on the draft MTFP position set out above the General Reserves forecast was summarised as follows:-

General Reserves Forecast

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

Clearly the Council would need to ensure action was taken to ensure the projected financial deficit over the medium term was avoided and minimum balances were maintained. This is essential for the continuing financial resilience and sustainability of the Council. The Budget Proposals and Options presented for consideration provided opportunities to make significant progress towards addressing the financial challenge.

The Council's Section 151 Officer also had a duty in accordance with The Local Government Act 2003 to comment, as part of the budget setting process, on the robustness of the budget plans. In her response, Shirlene Adam had stated that she believed the Council's reserves to be adequate and the budget estimates used in preparing the 2016/2017 budget to be robust.

Noted that a number of Equalities Impact Assessments had been prepared and were attached as appendices to the report.

Resolved that Full Council be recommended to agree the General Fund Revenue Budget for 2016/2017 and that:-

- (a) The forecast Medium Term Financial Plan and Reserves position and the Section 151 Officer's Robustness Statement be noted;
- (b) The General Fund Revenue Budget 2016/2017, including a Basic Council Tax Requirement budget of £5,582,700 and Special Expenses of £43,632 be approved;
- (c) A Council Tax increase of 3.62%, increasing the Band D basic tax rate by £5 to £142.88 per year be approved;
- (d) A further 2016/2017 one-off Council Tax increase of 1.25% in respect of funding for the Somerset Rivers Authority, adding £1.74 to a Band D tax charge per year;
- (e) The transfer of any unallocated year end under/overspend in the 2015/2016 General Fund Revenue Account Outturn to/from the General Fund Reserves be approved;

- (f) The minimum reserves level at £1,600,000 be approved; and
- (g) The decision as to whether to accept the Government's offer of a four year funding settlement, provided it was in the Council's interests to do so, be delegated to The Leader of the Council, the Executive Councillor for Corporate Resources and the Section 151 Officer.

8. **Housing Revenue Account Estimates 2016/2017**

Considered report previously circulated, which set out in detail the proposed Housing Revenue Account (HRA) Estimates for 2016/2017.

2016/2017 would be the fifth year of operating the HRA under self-financing arrangements. The Council had taken on debt of £85,200,000 in March 2012 to enable the Council to operate self-financing arrangements.

A fundamental review of the HRA Business Plan had been scheduled for 2015/2016 and to support this, funding had been made available from 2014/2015 underspends. Changes in national policy announced in 2015 – particularly the Welfare Reform and Work Bill and the Housing and Planning Bill – had greatly affected the long term financial position of the HRA Business Plan, making this review essential.

Dwelling rents for more than 5,800 properties provided annual income of over £24,000,000 for the HRA.

The Welfare Reform and Work Bill had set out a 1% annual reduction in all social rents from 1 April 2016 for four years. This would negate the 10 year national rent policy for social housing that was implemented in April 2015, and would greatly reduce the income expectations for the HRA as shown in the table below:-

Reduction in Dwelling Rent Income Compared to the Business Plan

	Reduction in Rent Income Compared to Business Plan				
	2016/17	2017/18	2018/19	2019/20	2020/21
Impact of lower inflation (-0.1%)	439,900	459,000	472,400	487,000	501,800
Additional impact of change in social housing rent policy:-					
If rent policy returned to CPI + 1% from 2020/2021 to end of 10 year Rent Policy	461,100	1,465,500	2,480,000	3,510,100	3,609,200
If rent policy returned to CPI only from 2020/2021	461,100	1,465,500	2,480,000	3,510,100	3,845,600

When forecast over the length of the Business Plan, this reduction in rent represented a significant reduction in income to the HRA as shown below:-

Cumulative Reduction in Dwelling Rent Income Compared to the Business Plan

	Cumulative Totals		
	5 Years (to 2020/2021)	To end of current 30 Year Business Plan 26 Years (to 2041/2042)	Full 30 Years (to 2045/2046)
If rent policy returned to CPI + 1% from 2020/2021 to end of 10 year Rent Policy	13,886,000	124,124,200	150,455,400
If rent policy returned to CPI only from 2020/2021	14,122,400	154,054,000	187,811,300

Local Authorities had previously had the power and duty to set their own rents, however the Welfare Reform and Work Bill no longer allowed for rents to be above a 1% reduction.

In line with the national rent guidance it was proposed that the average weekly rent for dwellings for 2016/2017 should be set at the guideline rent of £83.06, a decrease of 1.0% or £0.84 per week.

Reported that taking into account the number of dwellings lost through Right to Buy, the expected increase to income when the Creechbarrow Road dwellings were handed over and the level of rent lost through void properties, the expectation in dwelling rent income was likely to reduce by £840,000, as shown in the table below:-

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

Around 8.1% of HRA income – or £2,150,000 – came from non-dwelling rents, charges for services and facilities and contributions to HRA costs from leaseholders and others. It was proposed to increase these budget lines generally by 0.8%.

Noted that a separate review of Sheltered Housing had been undertaken and service charges had been set at a flat rate of £10.93 for 2016/2017. Following the decision that tenants in receipt of Housing Benefit with a Piper Lifeline would be subsidised by the HRA, a reduction in income of £151,800 was expected.

The General Fund would be contributing a share towards the costs in the HRA for work done on estates where people had bought their homes under Right to Buy.

Also noted that following the installation of photovoltaic panels on a number of

Council-owned dwellings, Feed in Tariff income of £160,000 was expected in the next financial year.

The HRA expenditure budgets, which included Management Expenses, Maintenance, Special Services, Provision for bad debts, Depreciation, Debt Management Expenses, Repayment of Borrowing and Interest, Interest receivable and the Social Housing Development Fund were submitted and details of significant changes were reported.

Also reported on appropriations, in the form of Transfers to General Fund and Revenue Contributions to Capital.

Further reported that in December 2015 the estimated budget gap for 2016/2017 was £386,000. The following table provided a summary of the main changes to the draft budget estimates for the HRA Revenue Account, including the proposals to deliver a balanced budget in 2016/2017.

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

Noted that a detailed explanation of all the proposals listed above were included in the report.

The Draft Housing Revenue Account Budget was presented to the Corporate Scrutiny Committee on 21 January 2016 for review and comment. No specific amendments to the Draft Budget were formally recommended by the Committee.

Resolved that:-

- (1) Full Council be recommended to:-
 - (a) Approve the average rent decrease of 1% for 2016/2017 in line with the Council's approved Rent Policy; and
 - (b) Agree the Draft Housing Revenue Account Budget for 2016/2017;
- (2) A briefing note be prepared and issued to all Councillors explaining the impact of the new policy change on rent levels for supported housing; and
- (3) It be noted that the Executive would present its final position on Housing Revenue Account budgets and rent levels to Full Council on 23 February 2016.

9. Capital Programme Budget Estimates 2016/2017

Considered report previously circulated, concerning the proposed General Fund and Housing Revenue Account (HRA) Capital Programmes for 2016/2017.

2015/2016 Draft General Fund Capital Programme

In December, Members were provided with the initial draft capital programme bids which had been received from budget holders, and these had been reviewed by Executive Councillors for the draft budget. The current capital strategy included the following basis for prioritising schemes:-

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

The current Capital Programme in 2015/2016 included approved projects totalling £3,833,612.

The proposed draft General Fund Capital Programme for 2016/2017 totalled £1,054,000. The following tables detailed bids submitted for both Deane DLO schemes and other General Fund Schemes.

Bids Submitted for Deane DLO Schemes

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

Bids Submitted for General Fund Schemes

Scheme	Priority	Cost £k	Possible Funding Options				
			RCCO £k	NHB Reserve £k	Capital Reserve £	Capital Grants £k	Total Funding £k
Grants to Halls and Sports Clubs	5	10	10				10
Play Equipment Replacement	2	55	55				55
PC Refresh	1	35	35				35
Waste Containers	2	93	50		43		93
Orchard Centre Car Park Improvements	2	126	126				126
Members IT Equipment	2	4	4				4
Parish Play Area Grant Scheme	5	10			10		10
Cremator Brick Work	2	20			20		20
Cemetery IT System	2	50			50		50
Disabled Facilities Grants	2	388				388	388
Total		791	280	0	123	388	791
Combined Total		1,054	483	60	123	388	1,054

A detailed explanation for all of the proposals listed above were included in the report.

These tables summarised the proposed funding of the Draft Capital Programme for 2016/2017 and they showed that the proposed Capital Programme for 2016/2017 was fully funded through a combination of revenue contributions (DLO and General), capital reserves plus grant funding provided via Somerset County Council. As a result it was proposed to support the Capital Programme to incorporate all of the bids.

Noted that funding for capital investment by the Council could come from a variety of sources including:-

- Capital Receipts;

- Grant Funding;
- Capital Contributions (for example from another Local Authority or Section 106 Agreement funding);
- Revenue budgets/reserves (often referred as RCCO – Revenue Contributions to Capital Outlay); and
- Borrowing.

A detailed explanation as to where the sources of the above funding originated was supplied for the information of Members.

Capital Programme for Growth and Regeneration 2016/2017

In addition to the above schemes which primarily delivered service continuity and improvements, Growth and Regeneration remained a top priority for the Council. This commitment had been reflected over recent years, by the allocation of New Homes Bonus (NHB) funding for these purposes.

Reported that at Full Council before Christmas, Members had also supported investment in principle of £16,600,000 from projected NHB receipts towards a number of growth spend categories reflecting the priorities established in the Taunton Growth Prospectus and aligned with the relevant plans and priorities of key partners.

Some £16,000,000 of the proposed spend was expected to be recognised as capital expenditure (with revenue costs of £500,000 for marketing, promotion and inward investment and £100,000 for the preparation of Local Development Orders) and as such was included in the proposed Growth Capital Programme shown in the table below:-

Proposed NHB Allocation and Indicative Spend Profile

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

Further reported that the Autumn Statement and subsequent Provisional Settlement announcements had suggested that Government consultation on a revision of the NHB grant funding would effectively reduce the grant by a 1/3rd in the future. The anticipated reduction in available future NHB funding had been updated within the Medium Term Financial Plan.

Any reduced NHB would therefore result in insufficient funds to cover all of the proposed £16,600,000 spend within the anticipated timeframe. The Council had

acknowledged this funding risk when it approved the investment and had accepted that plans would need to be reviewed when updated funding information was confirmed.

It was nevertheless proposed to include £900,000 within the approved Capital Programme for 2016/2017. Future years' investment would remain indicative and subject to annual review.

2016/2017 Draft Housing Revenue Account (HRA) Capital Programme

The Draft HRA Capital Programme 2016/2017 totalled £8,589,000. This was provided to deliver the prioritised capital investment requirements included in the current Business Plan for the next budget year. The current five-year HRA Capital Programme was shown below, which included forecast capital expenditure requirements for the period 2016/2017 to 2020/2021, as identified in the Business Plan. Noted that the programme would be subject to change pending the outcome of the recently approved stock survey.

Draft HRA Capital Programme 2016/2017

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

It was proposed that the HRA Capital Programme for 2016/2017 shown above would be funded from the Major Repairs Reserve (from depreciation) and revenue contribution (RCCO) from the base budget.

A detailed description for all of the proposals listed within the project headings in the above table were included in the report.

The draft five-year capital programme was shown in the table below:-

Draft Five-Year Capital Programme

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

The Capital Programme Budget Estimates 2016/2017 were presented to the Corporate Scrutiny Committee on 21 January 2016 for review and comment. No specific amendments to the Budget were formally recommended by the Committee.

Resolved that Full Council be recommended to approve:-

- (a) The General Fund Capital Programme Budget of £1,054,000 for 2016/2017, plus £900,000 in respect of the Growth and Infrastructure Capital Budget in 2016/2017; and
- (b) The Housing Revenue Account Capital Programme of £8,589,000 for 2016/2017.

10. **Executive Forward Plan**

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

Resolved that the Forward Plan be noted.

(The meeting ended at 8.16 p.m.)