Executive – 8 February 2018

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

Officers: Paul Fitzgerald (Section 151 Officer), Paul Carter (Assistant Director – Corporate Services), Andrew Stark (Interim Financial Services Manager), Tim Burton (Assistant Director – Planning and Environment), Joanne O'Hara (Wellington Heritage at Risk Project Manager) and Richard Bryant (Democratic Services Manager)

Also present: Councillor Coles

(The meeting commenced at 6.30 p.m.)

6. **Minutes**

The minutes of the meeting of the Executive held on 11 January 2018, copies of which had been circulated, were taken as read and were signed.

7. **Public Question Time**

Alan Debenham asked the following questions:-

(1) Yet again we see the Government continuing with its ideologically imposed austerity programme of cuts upon cuts against Local Government via further systematic withdrawal of the Revenue Support Grant. What had the Executive done, or was doing, or would do, to fight back against this 'slaughter' and defend our services which we had elected them to defend as our Councillors?

In response, Councillor Williams acknowledged the demands for an end to austerity. However, what people did not fully recognise is the scale of the debt inherited by the present Government. The interest payments on this debt would pay the annual cost of the Armed Forces and the Education Service!

Providing more money rather than seeking efficiencies could only be achieved through even more borrowing. The drive to cut this Council's costs over the past five years had been a necessary part of trying to regularise the Balance of Payments. We would be a lot poorer without such action being taken.

Councillor Williams was proud that Taunton Deane had delivered efficiency savings without having to reduce front line services. This is the message that needed to be spread more widely and the fact that the Council had to live within its means.

(2) How was it the proposed Taunton Deane Council Tax demand was going to

be increased yet again above inflation, simultaneous with still bringing in massive further cuts with these being mitigated and hidden by the use of reserves and described in 'Transformation' generalisation rather than specific detail, for example showing the number of posts/services to be reduced?

Councillor Williams stated that Council Tax would have to rise simply because the Council had been going through quite a tight time financially in recent years but still wanted to maintain the services it currently delivered.

He acknowledged that the point was being reached where further efficiencies would not be possible in Taunton Deane alone. Hence the proposal to form a new Council with West Somerset which would bring savings of £3,100,000 per annum.

It was telling that no other suggestions to survive into the future had been forthcoming.

(3) The Housing Revenue Account Budget report describes a move away from non-existent national subsidy to self-financing via the payment of some £85,000,000 of borrowed money to the Government in the hope of Council freedom to run its own housing affairs. Why has the Council allowed this to become such a disastrous financial and political move with its obedience to all the recent Government policy whims?

Councillor Williams reported that the decision to become self-financing meant the Council was largely in control of its destiny, could provide a better quality of housing stock and would deliver savings overall.

Councillor Beale, added that self-financing had allowed approximately 200 affordable homes to be built each year since 2012. He added that the Council had no control over Government Policy – the rent decrease had not been wanted.

Nevertheless, the Council continued to look after the interests of its 5,800 tenants and, overall, the Council was better off than the previous negative subsidy system.

Councillor Mrs Warmington was of the view that self-financing had provided the opportunity to tackle a number of underlying issues with other agencies through the 'One Teams' which had generally improved conditions within the Council's housing areas.

8. **Declaration of Interests**

Councillors Mrs Stock-Williams and Mrs Warmington declared personal interests as Members of Wellington Town Council and Bishops Lydeard and Cothelstone Parish Council respectively.

9. **Draft Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy 2018/2019**

Considered report previously circulated, concerning 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.

It was noted that the Council currently held £85,500,000 of loans, which related solely to the Housing Revenue Account (HRA). This sum had increased significantly in March 2012 when the Council took on £82,000,000 of loans through the introduction of HRA Self Financing and the abolition of the old Housing Subsidy system.

General Fund borrowing might therefore be required in 2018/2019 to support new projects which had been approved in 2018/2019 although the TMSS had suggested that this might be covered initially from internal funds.

Also noted that the Council's investment balances had ranged between £34,400,000 and £55,400,000. This was expected to reduce in 2016/2017 as more of the Capital Programme was delivered.

The Council's Treasury Management Advisor, Arlingclose, had advised that its central case was for the UK Bank Rtae to remain at 0.5% during 2018/2019.

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 were reflected in the framework.

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

The TMSS for 2018/2019 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.

Resolved that Full Council be recommended to approve:-

(1) The Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Reserve Provision Policy as set out in the Appendix to the report; and

(2) The Prudential Indicators included within the Treasury Management Strategy Statement which included limits for borrowing and investments.

10. **Draft General Fund Revenue Budget Estimates 2018/2019**

Considered report previously circulated, which set out the final 2018/2019 budget proposals. These recognised the continuing financial challenges, with annual reductions in Government funding for Local Council services as the Government sought to reduce the national deficit.

The 2018/2019 Budget had been prepared within the context of priorities identified by Members which were embedded in the Council’s current Corporate Plan.

The budget contained details on:-

(i) the General Fund Revenue Budget proposals for 2018/2019, including a proposed Council Tax increase; and

(ii) draft figures on the predicted financial position of the Council for subsequent years.

The Corporate Scrutiny Committee had considered the draft budget proposals at its meeting on 25 January 2018. The proposals had been noted.

Details of the Provisional “Settlement Funding Assessment” for 2018/2019 had been announced by the Department of Communities and Local Government during December 2017. Noted that the Final “Settlement Funding Assessment” had also been announced with the main difference being an increase of £5,040 to the Rural Delivery Grant.

Alongside the Finance Settlement, the Government had confirmed that it was looking to implement the Fair Funding Review in April 2020 and had published the consultation: Fair funding review: a review of relative needs and resources which focussed specifically on potential approaches that had been identified to measure the relative needs of local authorities.

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

The grant funding from the Government was in line with the confirmed multi-year settlement (2016/2017 to 2019/2020), with the expected reduction in 2018/2019 as shown below – a 56% reduction in General Revenue Grant funding:-

General Government Grant

	2017/18 £	2018/19 £	Change £	
Revenue Support Grant (RSG)	644,801	279,788	-365,013	-48%
Rural Services Delivery Grant (RSDG)	22,271	22,271	0	0%
Transition Grant	16,864	0	-16,864	-100%
Total General Revenue Grant Funding	**683,936**	**302,059**	**-381,877**	**-56%**

The multi-year settlement included further reductions in subsequent years. The following table summarised how these grants were projected to reduce since 2013/2014. During this period the settlement had reduced by 55% in cash terms (estimated 61% in real terms).

Settlement Funding

	13/14 £k	14/15 £k	15/16 £k	16/17 £k	17/18 £k	18/19 £k	19/20 £k
RSG	3,556	2,766	1,911	1,235	645	280	0
RSDG*	0	0	5	28	22	22	22
Transition Grant	0	0	0	17	17	0	0
BR Baseline	2,366	2,412	2,458	2,478	2,529	2,605	2,665
Govt Settlement	**5,922**	**5,178**	**4,374**	**3,758**	**3,213**	**2,907**	**2,687**

Reported that following an invitation from Central Government a bid to become a 100% Business Rates (BR) Retention Pilot, had been submitted in conjunction with Somerset County Council and our other Somerset district partners. This revised scheme referred solely to the retention of the whole of the growth element of BR, 50% of which historically had gone to Government.

Unfortunately, despite putting forward a strong case, the bid had been unsuccessful. The Council was however given approval to form a Pool under the existing 50% Retention system and the BR forecasts were currently being looked at alongside our partners to establish how much this could deliver in terms of additional funds. From initial computations this was forecast to be in the region of up to £100,000 but this needed to be confirmed.

There was confidence that the potential gains far outweighed the risk of being in a pool, but prudently the Council had not factored any gain into the budget at this stage as it remained uncertain.

Noted that the Provisional Settlement announcement by the Government had incorporated adjustments to both the baseline and tariff methodology which had led to a reduction of £131,000 in the BR retained by the Council compared to previous estimates.

Further reported that the New Homes Bonus (NHB) incentivised and rewarded housing growth. The Council only used £392,000 of its NHB allocations each year to help fund the revenue budget. The remaining grant was allocated to the Growth Earmarked reserve.

The provisional NHB Grant for 2018/2019 was £3,564,556, which was £470,176 or 12% less than 2017/2018 but £85,213 more than the December estimate.

The Government had not changed the NHB methodology this year with a “top-slice” of 0.4% of growth. In addition to the top-slice confirmation had been received that the rolling up of grants had reduced to four years from 2018/2019. Previous Medium Term Financial Plan (MTFP) forecasts had been prepared on this basis.

The impact of this new growth baseline was significant. Housing growth of 196.7 Band D equivalents had not been rewarded in 2018/2019 resulting in a loss of funding of approximately £250,289.

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

The proposed budget for Taunton Deane contained a proposed Council Tax increase of 3.33% of the basic Council Tax element (£5 on a Band D) for 2018/2019 which would mean that the Band D Council Tax would rise to £154.62 per year. This figure again included the sum of £1.74 in respect of the Somerset Rivers Authority because it was still unable to raise its own precept. The Band D taxpayer would, therefore, receive all the services provided by the Council in 2018/2019 at a cost of £2.97 per week.

The previous MTFP estimates assumed no increase in the Special Expenses Rate (SER) in 2018/2019. The Executive was however minded to increase the Special Expenses (Unparished Area) precept by 2p on a Band D property, raising an additional £302 whilst still remaining within the £5 Band D referendum trigger level.

The Special Expenses income raised through Council Tax in 2017/2018 had been £44,901 which was a Band D Equivalent charge per year of £3.00. In addition, the Unparished Area Budget had received a Council Tax Support (CTS) Grant giving a total budget of £45,534. Noted that the CTS Grant had now been phased out.

The proposed budget for 2018/2019 was therefore £45,534 entirely funded through Special Expenses levied within the Unparished Area.

The 2018/2019 Budget Gap as presented to the Corporate Scrutiny Committee on 16 November 2016 was £99,000. The Provisional Settlement and some other material changes to budget estimates had significantly increased the Gap. The impact of the of the Provisional Settlement was proposed to be mitigated by the use of the BR Smoothing Reserve as the most significant pressure was the “one-off” deficit in Business Rates in 2017/2018.

The NNDR1 BR estimates for 2018/2019 had been finalised and they had indicated a decrease in the predicted BR Deficit for 2017/2018 and also an increase in the forecast BR Retained funds. This had meant that the previously assumed requirement to draw from General Reserves was no longer required. Additionally, the Council now needed a reduced contribution from the Smoothing Reserve. The gap had therefore now been closed.

The following table provided a summary of the Budget position for 2018/2019:-

Draft Revenue Budget 2018/2019

	Revised Budget 2017/18 £	**Estimates 2018/19 £**
Total Spending on TDBC Services	11,786,444	10,150,489
Somerset Rivers Authority Contribution	71,067	72,186
Revenue Contribution to Capital	401,500	401,500
Capital Debt Repayment Provision (MRP)	235,060	400,010
Interest Costs	0	170,420
Interest Income	-380,875	-614,000
Parish Precepts	766,134	766,134
Grants to Parishes for CTS	12,990	0
Special Expenses	44,901	45,534
Grants to Unparished Area	2,010	0
Transfers to/from Earmarked Reserves	1,868,242	2,420,395
Transfer to/from General Reserves	0	0
AUTHORITY EXPENDITURE	**14,807,473**	**13,812,668**
Retained Business Rates	-3,038,286	-3,592,545
Revenue Support Grant	-644,801	-279,788
Rural Services Delivery Grant	-22,271	-22,271
Transition	-16,864	0
New Homes Bonus	-4,034,730	-3,564,560
Surplus(-)/Deficit on Collection Fund – Council Tax	-166,957	-64,664
Surplus(-)/Deficit on Collection Fund – Business Rates	38,425	937,440
Demand on Collection Fund – Parishes and SER	-811,035	-811,668
Expenditure to be financed by Council Tax	***6,039,887***	***6,342,426***
Council Tax raised to fund SRA Contribution	***71,067***	***72,186***
Total Council Tax Raised by TDBC	**6,110,954**	**6,414,612**
Divided by Council Tax Base	40,843.2	41,486.3
Council Tax @ Band D – Taunton Deane Services	**147.88**	**152.88**
Council Tax @ Band D – Somerset Rivers Authority	**1.74**	**1.74**
Council Tax @ Band D – TDBC including SRA	**149.62**	**154.62**
Cost per week per Band D equivalent	**2.87**	**2.97**

It was a requirement for the Council to prepare not only budgets for the following financial year but to also provide indicative figures into future years. The MTFP provided an indication of the expected budget gap going forward into 2018/2019 and beyond and a summary of this position was reflected in the following table:-

Revised MTFP Summary as at 8 February 2018

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Services Costs	11,786,444	10,150,489	9,671,585	10,067,896	10,266,292	10,773,017
Net Financing Costs	255,685	357,930	351,040	327,275	306,010	304,120
SRA Contribution	71,067	72,186	0	0	0	0
Special Expenses	44,901	45,534	45,534	45,534	45,534	45,534
CTRS Grants	15,000	0	0	0	0	0
Earmarked	3,642,752	3,172,576	2,937,042	3,302,435	3,087,062	2,987,957

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Reserves-Growth						
Earmarked Reserves-Other	-1,774,510	-752,181	302,718	302,725	302,718	302,723
General Reserves	0	0	0	0	0	0
Net Expenditure	**14,041,339**	**13,046,534**	**13,307,919**	**14,045,865**	**14,007,616**	**14,413,351**
Retained Business Rates	-3,038,286	-3,592,545	-3,463,975	-3,531,314	-3,595,008	-3,655,133
Business Rates prior year surplus/deficit	38,425	937,440	0	0	0	0
Revenue Support Grant	-644,801	-279,788	0	0	0	0
Rural Services Delivery Grant	-22,271	-22,271	-22,271	-22,271	-22,271	-22,271
Transitional Grant	-16,864	0	0	0	0	0
New Homes Bonus	-4,034,730	-3,564,560	-3,329,020	-3,694,420	-3,479,040	-3,379,940
Council Tax–TDBC	-6,039,887	-6,342,426	-6,533,235	-6,729,758	-6,932,125	-7,140,450
Council Tax–SRA	-71,067	-72,186	0	0	0	0
Council Tax–Special Expenses	-44,901	-45,534	-45,534	-45,534	-45,534	-45,534
Council Tax prior year surplus/deficit	-166,957	-64,664	0	0	0	0
Net Funding	**14,041,339**	**13,046,534**	**13,394,035**	**14,023,297**	**14,073,978**	**14,243,328**
Budget Gap	0	0	-86,116	22,568	-66,362	170,023
Budget Gap Increase	0	0	-86,116	108,684	-88,930	236,385

The MTFP position above already included the projected savings arising through the implementation of the Transformation Business Case. Without these savings the forecast budget gap would be a deficit of £1,729,000 per year by 2022/2023.

Noted that the Transformation savings relating to 2017/2018 and 2018/2019 were expected to be delayed and a pressure of £459,000 had therefore been added into the Budget Gap. It was anticipated that the Transformation savings would be delivered in full in 2019/2020.

These figures did not include the further savings that were identified in the Business Case that would be delivered through the creation of a new Council.

The General Fund budget included the trading surplus of £50,000 providing a contribution to the net income for the Council. Any additional surplus would be transferred to the Deane DLO Trading Reserve.

The forecast reserves position of Deane DLO for 2018/2019 remained positive, and provided some resilience to volatility in trading performance and future investment needs.

The draft budget for the Deane Helpline Trading Account had assumed no increase in fees to private customers which was currently £5.86 per week and no increase in the charge to the Housing Revenue Account (HRA) for Taunton Deane Tenants which was currently £4.86 per week. This had been approved by Full Council in December 2017.

Reported the current reserves position which was shown below. The forecast Outturn for the 2017/2018 budget was currently being reviewed but recent projections predicted an underspend of £318,000. Any final projected under/overspend would be adjusted through General Reserves.

	£
Balance Brought Forward 1 April 2017	2,186,155
Current Budgeted Balance	**2,186,155**
2017/18 Projected Outturn Variance	318,000
2017/18 Earmarked Reserves returned to general balances	91,649
Projected Balance 31 March 2018	**2,595,804**
Recommended Minimum Balance	1,700,000
Projected Balance above recommended minimum	895,804

A review of the level of General Reserves had recently been undertaken and it was recommended that the minimum balance of General Reserves was increased from £1,600,000 to £1,700,000. Given the future funding risks it was strongly advised to maintain reserves above the minimum.

The Council's Section 151 Officer had a duty to comment, as part of the budget setting process on the robustness of the budget and the adequacy of reserves. In his response, Paul Fitzgerald had stated that he believed the Council's reserves to be adequate and the budget estimates used in preparing the 2018/2019 budget to be robust.

Resolved that the General Fund Revenue Budget for 2018/2019 be agreed and that Full Council be recommended to:-

(a) Note the forecast Medium Term Financial Plan and Reserves position, and note the Section 151 Officer's Robustness Statement as set out in the report;

(b) Approve the General Fund Net Revenue Budget 2018/2019 subject to any amendments required as a result of the Final Funding Settlement, if received in advance of this meeting, or should the Final Settlement not be received, then based on the Provisional Settlement;

(c) Approve a Council Tax increase of 3.33%, increasing the Band D tax rate by £5 to £154.62 per year. This comprised £152.88 for services and £1.74 on behalf of the Somerset Rivers Authority;

(d) Approve an increase to the Special Expenses Precept of 0.7% increasing the Band D rate from £3.00 to £3.02; and

(e) Approve the minimum General Reserves level at £1,700,000

10. **Housing Revenue Account Budget Estimates 2018/2019**

Considered report previously circulated, concerning the proposed Housing Revenue Account (HRA) estimates for the 2018/2019 Financial Year.

In 2012 Taunton Deane moved away from a national subsidy system to be 'self-financing'. As part of the self-financing agreement, a one-off payment of £85,120,000 was made to the Government, in return for being able to retain all income locally to manage and maintain the housing stock. The total debt in the HRA at the start of self-financing was £99,700,000.

In order to manage the freedoms gained by the HRA through self-financing, a new 30 year Business Plan (2012-2042) was introduced. This set out the Council's overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities.

The Business Plan had been reviewed and updated annually since 2012, but since 2015 there had been many changes in national policies and local aspiration and a full review of the Business Plan was undertaken in 2016. The draft estimates for 2018/2019 therefore reflected the amendments approved in the Business Plan.

Business Plan Review 2016

A full review of the HRA 30 Year Business Plan was approved by Council in July 2016.

This had included a number of changes which affected the base budget for 2018/2019. The key amendments were summarised below:-

2018/2019 Changes in Approved Business Plan

	£k
Impact in 2018/2019 of key changes within the Business Plan	
Starting position - balanced budget	0.0
Social Housing Development Fund	-15.3
Repairs and Maintenance savings	-528.4
Management savings	-672.3
Decrease in operating income	396.8
Reduction in movement in reserves	821.7
Depreciation	56.6
Other minor changes	24.9
Position in Business Plan - approved by Council in July 2016 (budgeted transfer from HRA General Reserves)	**84.0**

Full details of these changes were detailed in the report.

Dwelling rents for approximately 5,800 properties provided annual income of approximately £23,700,000 for the HRA.

The Welfare Reform and Work Act 2016 had set out a 1% reduction in social housing rents from 1 April 2016 for four years. For the first year, 2016/2017, supported housing rents were exempt, but all social rents were to be included for the remaining three years.

During the four year period, rents had to be set with at least a 1% reduction. However, each additional 0.5% decrease would reduce the average weekly rent for tenants by £0.42, or £21.84 per year, and decrease dwelling rent income to the HRA by £123,000 per year.

In line with the national rent guidance, it was proposed that the average weekly rent for dwellings for 2018/2019 should be set at the guideline rent of £81.69, a decrease of 1.0%, or £0.83 per week.

It had been expected from the Housing and Planning Act that from April 2017 tenants with a household income of over £31,000 would need to pay additional rent under 'Pay to Stay'. However, it was announced in November 2016 that this policy would no longer be implemented and social housing providers would continue to have discretion to charge a higher rent on tenants with a household income of over £60,000.

Any additional income raised from the Pay to Stay policy would have been repaid to the Government and so this would not have directly affected the Business Plan. However it was expected that this policy would increase Right to Buys in the short term as the tenants who would have been affected by higher rents would have been likely to be those more able and willing to secure a mortgage.

As this policy was no longer being implemented the assumption of Right to Buys (RTBs) had been reduced in the Business Plan to reflect the current level. Noted that for 2018/2019 this equated to expected additional income of £128,000, although expected capital receipts from RTB would reduce.

Rent lost through void periods continued to be lower than the 2% allowed in the Business Plan. Future changes, such as the introduction of flexible tenancies, where new tenants were offered a fixed term tenancy which was renewed if appropriate might affect this in the future, but it was deemed appropriate to reduce the expected void rate to 1% for a two year period. This would be reviewed within future Business Plan reviews. This reduction in void rate from 2% to 1% would increase the rental expectation in 2018/2019 by £205,000.

These changes give a total forecasted dwelling rent income of £24,100,000.

Further reported that in October 2017 the Department for Communities and Local Government announced that "increases to social housing rents would be limited to the Consumer Price Index (CPI) plus 1% for five years from 2020." Dwelling rents were therefore forecast to increase by £237,000 over the current Business Plan to £24,300,000.

About 9.8% of HRA income, amounting to £2,600,000 in total, came from non-dwelling rent (mainly garages, but also shops and land), charges for services and facilities, and contributions to HRA costs from leaseholders and others. The proposed changes to specific budget lines reflected changes agreed by Full Council in the Fees and Charges report on 12 December 2017.

The main areas of spending planned for the 2018/2019 financial year included:-

- Management expenses;
- Maintenance;
- Transformation;
- Special services;
- Provision for bad debts;
- Depreciation**;**
- Debt Management Expenses**;**
- Repayment of Borrowing and Interest;
- Interest receivable; and
- Social Housing Development Fund.

The following table provided a summary of the main changes to the budget estimates for the HRA Revenue Account since the approval of the HRA Business Plan.

HRA Budget 2018/2019 Changes

	£k
Position in Business Plan (budgeted transfer from HRA General Reserves)	**84.0**
Proposals included in thE report	
Service charges	-352.2
Garages	-9.4
Leasehold Charges	-50.1
Repairs and maintenance savings	-626.4
Management savings	-185.5
Depreciation	-55.1
Increase in pension deficit contribution	45.9
Inflation costs excluding salaries	936.6
Staff 2% pay award and pay grade change	250.0
Other minor changes	-51.4
Balanced budget for 2018/19 ie net transfer to reserves	**-13.6**

The HRA Business Plan recommended that the minimum unearmarked reserve balance for the HRA should be £1,800,000. If the HRA budget was approved by Council, the balance would increase by £136,000, to £3,400,000.

Further reported that the HRA faced a number of risks and uncertainties, both external to the Council and internal changes.

A number of legislative changes were being implemented, as follows:-

Universal Credit – It was not known what impact the full roll out of Universal Credit would have on the HRA although steps had already been taken to try and prevent loss of income where possible. These were set out in the report.

Higher Value Asset Sales (Housing and Planning Act 2016) – This was the sale of vacant social housing with some of the proceeds being returned to the Government in order to fund the extension of Right to Buy in Housing Associations.

The regulations had not yet been published, but it was expected that an amount would be payable to the Government based on the value of the housing held by the Council. It was currently expected that this would commence from April 2019.

Local Housing Allowance (LHA) Rates - Tenants in social housing would in future only be able to claim Housing Benefit up to the LHA rate. Currently the LHA rates were only applicable for Housing Benefit claims in private rented stock. From April 2019, this would also apply to tenants in social housing. This might have an impact on some of our Supported Housing residents, but the majority of Taunton Deane housing was within the LHA rates for the area.

Fixed term tenancies (Housing and Planning Act 2016) – Councils would be required to review tenancies every five years rather than granting a lifetime tenancy, with extensions for tenants with a disability or school age children. This was expected to be in place for April 2018 and would impact on the way in which tenancies are managed.

The HRA also faced a number local risks including Transformation, Extra Care Housing and Asbestos, details of which were provided.

HRA Borrowing

In 2012 Taunton Deane took out additional borrowing of £85,200,000 as part of the self-financing settlement with the Government. This brought the total borrowing in the HRA up to £99,600,000 at the start of self-financing, including £5,500,000 internal borrowing from the General Fund.

The opening balance of external borrowing currently totalled £91,000,000 with an additional £10,500,000 of internal borrowing within the HRA (for approved capital schemes such as Creechbarrow Road, Taunton). This internal borrowing was currently funded from reserves held by the HRA, but external borrowing would be required in the short term. Repayment of £3,000,000 would be made during 2018/2019.

An annual provision of £1,800,000 for repayment of debt was included in the Business Plan, and ongoing repayments of borrowing would be made.

The headroom was due to increase annually, as no additional borrowing was included within the Business Plan. In 2018/2019 this was expected to be £19,300,000, and would increase annually by £1,800,000 until further borrowing was agreed by the Council. The intention was for this borrowing headroom to be available for the larger regeneration schemes that could not be funded from the Social Housing Development Fund budget.

Right to Buy (RTB) Receipts

In 2012 the maximum discounts offered to tenants who exercised their Right to Buy increased significantly to £77,000. Taunton Deane had signed up to retain the additional receipts, and agreed that these receipts would be used to fund new affordable housing. The additional RTB receipts could only account for 30% of spend on new housing, with the remaining 70% coming from other funds such as revenue funding or borrowing. The RTB receipts could not be used in the same scheme as other Government funding such as Homes and Communities Agency (HCA) funding.

The full spend on new housing had to be spent within three years of the capital receipt, or the RTB receipt had to be returned to the Government with interest at 4% over base rate from the date of the receipt.

The latest forecast showed that spend would be enough to meet the match funding requirements to quarter 3 of 2019/2020.

Noted that new housing did not need to be provided by the Council. The 30% RTB funding could also be used by Housing Associations in the area, provided they met the same match funding requirements.

Further options for the 70% match funding of RTB receipts in excess of planned development expenditure included:-

- Increasing spend through borrowing – limited to debt cap;
- Increasing spend from revenue – which would lead to reduced service provision as revenue was allocated within the Business Plan;
- The use of other Council funding; or
- Return funding to Government.

The requirement for the funding to be spent within three years did mean that there was flexibility to allocate funding after the capital receipts were retained. However development schemes usually had large lead in times receipts therefore needed to be allocated as soon as possible to reduce the risk of having to repay the capital receipt to the Government with interest payments.

The Draft Housing Revenue Account Budget had been presented to the Corporate Scrutiny Committee on 25 January 2018 and noted.

The Tenant Services Management Board had also considered the proposed HRA Budget.

Resolved that Full Council be recommended to approve the Housing Revenue Account draft budget and proposed 1% rent decrease, with proposed average rents of £81.69 per week in 2018/2019.

11. **Capital Programme Draft Budget Estimates 2018/2019**

Considered report previously circulated, concerning the proposed General Fund (GF) and Housing Revenue Account (HRA) Capital Programmes for 2018/2019.

2018/2019 General Fund Capital Programme

The current General Fund Capital Programme in 2017/2018 included approved projects totalling £33,320,000.

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 recommended General Fund Capital Programme for 2018/2019 totalled £3,797,000 split between Deane DLO Schemes, General Fund Schemes and Growth Schemes, full details of which were submitted for the information of Councillors.

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.

All of the schemes in the Capital Programme could be fully funded through a combination of revenue contributions (DLO and General), capital reserves plus grant funding provided via Somerset County Council. As a result, the Capital Programme which incorporated all of the reported bids was supported by the Executive.

Capital Programme for Growth and Regeneration 2018/2019

In December 2015 the Council had approved an allocation £16,600,000 of New Homes Bonus (NHB) funding over the five year period 2016/2017 to 2020/2021, to support its priorities relating to growth and regeneration. A number of 'spend categories' had been approved, as follows:-

- Taunton Strategic Flood Alleviation (£3,000,000);
- Major Transport Schemes (£2,500,000);
- Town Centre Regeneration (£2,500,000);
- Employment site enabling and promoting enterprise and innovation (£4,000,000);
- Marketing, promotion and inward investment (£500,000);
- Supporting urban extension delivery (£4,000,000); and

- Preparation of Local Development Orders (£100,000).

Reported that the profile of spending over the five year period was indicative and needed to be refreshed annually, to ensure that spending plans remained aligned with an evolving picture of external funding secured, opportunities for new funding and new growth priorities.

The Growth and Regeneration Capital Budget approved to date totalled £3,900,000. If approved, a further £2,470,000 would bring the total budget to £6,370,000.

Having now carried out the above mentioned annual review, a refreshed annual profile of spending on growth was proposed. Although the spending categories and the overall allocation of £16,600,000 remained the same, a number of changes to the original profile were proposed in some categories, as follows:-

- **Taunton Strategic Flood Allocation** – The allocation had been increased to £5,000,000 in line with the Councils commitment to flood relief, by reallocation from the Urban Extension Project;

- **Major Transport Schemes** – The overall allocation had increased from £3,500,000 to £3,900,000 mainly due to the Access and Signage Project to provide the Variable Messaging System and Pay on Foot system;

- **Town Centre Regeneration** – The allocation had increased from £2,500,000 to £3,500,000 to enable the delivery of major Town Centre schemes, such as Firepool and Coal Orchard;

- **Employment sites, enterprise and innovation** – A reduction to the overall allocation (now £3,500,000) due to a reduction in the Junction 25 Nexus allocation; and

- **Supporting Urban Extension delivery** – The previous allocation of £2,000,000 had been reallocated to the Strategic Flood Alleviation Project in 2020/2021.

Noted that subject to a Business Case, the Council could also consider the use of prudential borrowing to provide additional resources.

2018/2019 Housing Revenue Account (HRA) Capital Programme

The HRA Capital Programme 2018/2019 totalled £8,970,000 and was shown in the table below. This was provided to deliver the prioritised capital investment requirements included in the current Business Plan for the next budget year.

Draft HRA Capital Programme 2018/2019

Project	**Total Cost £k**
Major Works	5,800
Improvements	150
Exceptional Extensive Works	492
Disabled Facilities Grants and Aids and Adaptations	381

Project	Total Cost £k
Building Services Vehicles	121
Social Housing Development Fund	2,029
Total Proposed HRA Capital Programme 2018/19	**8,973**

Full details of proposed spending under the above project categories were set out in the report. The current five-year HRA Capital Programme included forecast capital expenditure requirements for the period 2018/2019 to 2022/2023, as identified in the Business Plan.

The programme would be funded from the Major Repairs Reserve (from depreciation), revenue contribution (RCCO) from the Social Housing Development Fund and capital receipts (Right to Buy).

The Capital Programme Budget Estimates 2018/2019 were presented to the Corporate Scrutiny Committee on 25 January 2018 for review and comment. No specific amendments to the Budget were formally recommended by the Committee.

Resolved that it be recommended to Full Council that:-

(a) The new capital schemes of the General Fund Capital Programme Budget of £1,327,000 for 2018/2019, plus £2,470,000 in respect of the Growth and Regeneration Capital Budget in 2018/2019 be approved;

(b) The Housing Revenue Account Capital Programme of £8,973,000 for 2018/2019 be approved; and

(c) Authority be delegated to the Section 151 Officer to approve adjustments to the 2018/2019 Disabled Facilities Grant Capital Budget to reflect the final grant funding received from the Better Care Fund.

12. **Executive Forward Plan**

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

Resolved that the Forward Plan be noted.

13. **Urgent Item**

The Chairman confirmed that the following confidential item should be treated as an urgent item as a decision was needed before the next scheduled meeting of the Executive.

14. **Exclusion of the Press and Public**

Resolved that the press and public be excluded from the meeting for the following items because of the likelihood that exempt information would otherwise be disclosed relating to Clauses 1 and 3 of Schedule 12A to the Local Government Act 1972 and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

15. **Planning (Listed Buildings and Conservation Areas) Act 1990 – Listed Buildings at Tonedale Mill, Milverton Road, Wellington**

Reference Minute No. 40/2017, considered further report relating to proposed actions proposed to be taken to secure the repair of the historic buildings at Tonedale Mill, Milverton Road, Wellington.

An Urgent Works Notice was to be served on the owner of the property identified in the report requiring the execution of works which were urgently necessary for the preservation of the building.

If the works were not carried out, the Council would need to step in and carry out the required works.

Historic England (HE) had confirmed that, in such circumstances, it would provide grant funding subject to match funding being provided by Taunton Deane.

The action proposed was the first step of a large programme of works with HE to secure the buildings on the site.

Resolved that Full Council be recommended to approve a supplementary estimate to the Capital Programme at the level set out in the report, in the event that the owner of the property failed to carry out the required works. The funding of these works to come from Historic England as detailed, with the remainder from a virement to the Council's Revenue Contribution to Capital in 2017/2018 funded from additional investment interest receipts.

(The meeting ended at 7.47 p.m.)