To: All Councillors

Our Ref DS/KK

Contact Krystyna Kowalewska kkowalewska@westsomerset.gov.uk

Date 15 February 2018

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Dear Councillor

I hereby give you notice to attend the following meeting:

COUNCIL MEETING

Date: **FRIDAY 23 FEBRUARY 2018**

Time: **10.00 AM**

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

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

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Yours sincerely

BRUCE LANG
Proper Officer

WEST SOMERSET DISTRICT COUNCIL

Meeting to be held on Friday 23 February 2018 at 10.00 am

Council Chamber, Williton

AGENDA

1. **Apologies for Absence**

2. **Minutes**

   Minutes of the Meeting of Council held on 13 December 2017 to be approved and signed as a correct record – **SEE ATTACHED.**

3. **Declarations of Interest**

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

4. **Public Participation**

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

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

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

5. **Chairman's Announcements**

6. **Treasury Management Strategy, Annual Investment Strategy and MRP Policy 2018/19**

   To consider Report No. WSC 15/18, to be presented by Councillor M Chilcott, Lead Member for Resources and Central Support – **SEE ATTACHED**.

   The purpose of the report is to inform Members of the recommended strategy for managing the Council's cash resources including the approach to borrowing and investments. It also seeks the formal approval of the Treasury Management Strategy Statement, Annual Investment Strategy and MRP Policy which must be approved by Full Council by 31 March each year in line with regulations.

7. Annual Budget and Council Tax 2018/19

To consider Report No. WSC 16/18, to be presented by Councillor M Chilcott, Lead Member for Resources and Central Support – **SEE ATTACHED**.

The purpose of this report is to provide Members with the information required for Full Council to approve the proposed revenue budget for 2018/19, and to approve its proposed Council Tax rate for 2018/19.

8. Capital Programme 2018/19

To consider Report No. WSC 17/18, to be presented by Councillor M Chilcott, Lead Member for Resources and Central Support – **SEE ATTACHED**.

The purpose of the report is for Full Council to approve the recommended Capital Programme for 2018/19 including the proposed funding arrangements.

9. Council Tax Setting 2018/19

To consider Report No. WSC 18/18, to be presented by Councillor M Chilcott, Lead Member for Resources and Central Support – **SEE ATTACHED**.

The purpose of the report is for Council to approve the calculation and setting of the Council Tax for 2018/19.

COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS

WEST SOMERSET COUNCIL

Minutes of Council held on 13 December 2017 at 4.30 pm

in the Council Chamber, Williton

Present:

Councillor B Heywood .... Chairman
Councillor R Woods .... Vice-Chairman

Councillor I Aldridge	Councillor A Behan
Councillor M J Chilcott	Councillor R Clifford
Councillor H J W Davies	Councillor M O A Dewdney
Councillor G S Dowding	Councillor S Goss
Councillor A P Hadley	Councillor A Kingston-James
Councillor R Lillis	Councillor B Maitland-Walker
Councillor C Morgan	Councillor P H Murphy
Councillor J Parbrook	Councillor P Pilkington
Councillor S Pugsley	Councillor R Thomas
Councillor N Thwaites	Councillor A H Trollope-Bellew
Councillor K Turner	Councillor D J Westcott

Officers in Attendance:

Chief Executive (P James)
Director of Operations (S Adam)
Assistant Chief Executive (B Lang)
Assistant Director Resources (P Fitzgerald)
Finance Manager (J Nacey)
Assistant Director Place and Energy Infrastructure (A Goodchild)
Economic Regeneration Manager (C Matthews)
Revenues and Benefits Services Manager (H Tiso)
Senior Transformation Lead (E McGuinness)
Corporate Transformation Project Lead (K Batchelor)
SHAPE Legal Partnership Services (L Dolan)
Meeting Administrator (K Kowalewska)

C52 Apologies for Absence

Apologies for absence were received from Councillors I Jones, K Mills and T Venner.

C53 Minutes

(Minutes of the meeting of Council held on 22 November 2017, circulated with the Agenda.)

RESOLVED that the Minutes of the meeting of Council held on 22 November 2017 be confirmed as a correct record.

C54 Declarations of Interest

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

Name	Minute No.	Member of	Action Taken
Cllr I Aldridge	All	Williton	Spoke and voted
Cllr M Chilcott	All	SCC	Spoke and voted
Cllr H Davies	All	SCC	Spoke and voted
Cllr S Goss	All	Stogursey	Spoke and voted
Cllr A Kingston-James	All	Minehead	Spoke and voted
Cllr B Maitland-Walker	All	Carhampton	Spoke and voted
Cllr C Morgan	All	Stogursey	Spoke and voted
Cllr P H Murphy	All	Watchet	Spoke and voted
Cllr J Parbrook	All	Minehead	Spoke and voted
Cllr P Pilkington	All	Timberscombe	Spoke and voted
Cllr R Thomas	All	Minehead	Spoke and voted
Cllr N Thwaites	All	Dulverton	Spoke and voted
Cllr A H Trollope-Bellew	All	Crowcombe	Spoke and voted
Cllr K H Turner	All	Brompton Ralph	Spoke and voted
Cllr D J Westcott	All	Watchet	Spoke and voted

Councillor A Trollope-Bellew declared a prejudicial interest in respect of C61 Fees and Charges 2018-2019 as the owner of a private water supply and advised that if the matter were to be specifically discussed he would leave the Chamber during this item but would otherwise stay and participate fully in the item.

Councillor A Hadley declared a prejudicial interest in respect of C61 Fees and Charges 2018-2019 as a premises licence holder and advised that if the matter were to be specifically discussed he would leave the Chamber during this item but would otherwise stay and participate fully in the item.

C55 Public Participation

Agenda Item 6 – Notice on Motion

Peter Grandfield, a retired local businessman, spoke against the formation of a new Council between West Somerset and Taunton Deane Borough Councils, and believed West Somerset would lose its identity. He stated that West Somerset Council was penalised for being in an area of aging population and poor social mobility. He considered the Council was getting no real benefit from EDF and the Hinkley Point development, and that EDF should be making a bigger contribution to the district.

Agenda Item 10 – Fees and Charges 2018/19

Sally de Renzy-Martin, Chair of the Watchet Harbour Advisory Committee, spoke on the Watchet Harbour fees and charges, in particular the administrative fee for inspection of the Watchet Sea Scout Group insurance documents, requesting it be removed all together.

Chris Mitchell, Chairman of the 1st Watchet Sea Scout Group, spoke further on the proposal for future slipway charges at Watchet and how this would impact on the Sea Scout Group financially, and highlighted the importance of keeping their ongoing costs to a minimum. He found the intention of the proposed charges to be confusing. Reference was made to a 1948 agreement between the Scout Group and the Council which granted free use of the harbour to the Watchet Sea Scouts for 100 years and requested a deferment of the fee for 12 months in order that the agreement could be found and assessed, and he welcomed the chance to have the position reviewed. He concluded by stating Watchet Sea Scout Group really appreciated all the help received from West Somerset Council and the Group would appreciate their continued support.

Steve Pilbrow, Secretary Treasurer of Minehead and District Angling Club vehemently protested against the new charge for fishing on Minehead and Watchet Harbours. Elderly and infirm members were unable to fish from the stony beaches and the harbours provided flat, comfortable access. People on restricted incomes and small businesses on the harbour would also be impacted. The lack of harbour facilities was raised as a matter of concern. Various questions were asked, which included - what would anglers get for the money, were there plans to charge others for the use of the harbour, what would the money be used for and whether the harbour bylaws would have to be changed to enable the charges to be implemented?

C56 Chairman's Announcements

There were no Chairman's announcements.

C57 Notion on Motion

In accordance with Procedure Rule 11 the following motion was received from Councillor R Woods:

"On 7th September 2016 we voted "in principle" to refer the proposed New Council to the Secretary of State. Now we have a "minded to" decision we are in a consultation period prior to it being referred to parliament.

In light of the "minded to" decision we recommend West Somerset Council revisits its decision to form a new council in the light of its current financial position and the outstanding issues."

Councillor R Woods asked for Members to partake in the consultation process, which ran up to 19 January 2018, and to encourage communities to do the same. She stated the current partnership working between WSC and TDBC was extremely successful and highlighted that WSC's projected financial situation for 2018 had improved.

Councillor R Woods went on to propose the motion and it was seconded by Councillor R Clifford, who expressed concern as to the potential loss of representation of the people of West Somerset once the new Council was formed.

The Leader responded to the points raised regarding the possibility of receiving more money from EDF, explaining that both officers and Members had tried but were unsuccessful, and he believed that the Council had done all it could in regard to pursuing this matter.

The Assistant Director for Resources provided an updated position on the financial viability for West Somerset and advised any changes to the future of the Council by not pursuing the new Council bid in partnership with TDBC would significantly change the financial risk profile. The projected annual budget gap would be approximately £450,000 per year over the next five years.

Councillor J Parbrook raised concerns and indicated safeguards must be in place to prevent West Somerset from being totally subsumed by Taunton Deane. She went on to propose the following amendment (a copy of which was circulated to all Members at the meeting):
"The proposal to form a new Council should incorporate:
1. An Economic Plan for Rural and Coastal Areas and Market Towns should be prepared similar to TDBC's economic plan as set out in Higher Level Business Case.
2. An Agreement be put in place to ensure significant staffing is in West Somerset.
3. Some Council meetings should be held in West Somerset.
4. An undertaking is given that the whole of TDBC area is parished prior to the new council being formed.
5. West Somerset is made fully conversant with TDBC's financial commitments, both now and ongoing."

The amendment was seconded by Councillor B Maitland-Walker.

On being put to the vote the amendment was CARRIED.

During the debate on the substantive motion the following main points were raised:

- Reference was made to the fact that the revaluation of Hinkley Point B business rates had resulted in an increase in Council revenue.

- The Leader advised that there was a continued financial risk in respect of the business rates for Hinkley Point C. There was a possibility that the power station could be put on the Central Rating List; consequently business rates would not then be paid to the local authority.
- The opportunity for Members to revisit the decision was welcomed by Councillor P Murphy, and he expressed support for the amendment which reiterated the wish for West Somerset Council to form a new council subject to conditions being fulfilled during the negotiations.
- Concern was shown by one Member regarding the very short timeframe by which to receive the required information before the 19 January deadline.
- Further clarification was provided on the financial position and it was noted that there was still a substantial budget gap to be filled.

RESOLVED that the proposal to form a new Council should incorporate:

1. An Economic Plan for Rural and Coastal Areas and Market Towns should be prepared similar to TDBC's economic plan as set out in Higher Level Business Case.
2. An Agreement be put in place to ensure significant staffing is in West Somerset.
3. Some Council meetings should be held in West Somerset.
4. An undertaking is given that the whole of TDBC area is parished prior to the new council being formed.
5. West Somerset is made fully conversant with TDBC's financial commitments, both now and ongoing.

C58 Timetable of Meetings 2018/19

(Amended Timetable of Meetings for 2018/19 Municipal Year tabled at the meeting.)

The purpose of the report was to agree a timetable of meetings for the 2018/2019 Municipal Year.

The Lead Member for Executive Support and Democracy presented the item and drew attention to the changes made to the timetable since publication with the Agenda, namely the holding of a Planning Committee on 8 November 2018 rather than in October.

RESOLVED that the 2018/19 timetable be approved, as amended.

C59 Review of Council Tax Rebate Scheme for 2018/19

(Report No. WSC 134/17, circulated with the Agenda. Appendix 1 was available online at https://www.westsomersetonline.gov.uk/Council---Democracy/Council-Meetings/Full-Council/Full-Council---13-December-2017)

The purpose of the report is to provide information on the existing Council Tax Rebate scheme and the context for reviewing the scheme for Working Age applicants from 2018/19.

The Chairman, on behalf of Council, commended the exemplary work of the Revenues and Benefits Team in relation to the considerable increase in the collection of council tax. The Team were also thanked for bringing the report together.

The Lead Member for Community and Customer presented the item and highlighted key points from the report. He went on to propose the recommendations which were duly seconded by Councillor K Turner.

Members expressed support, acknowledging that the revised Council Tax Rebate Scheme was an improvement on previous years' schemes.

RESOLVED (1) that Full Council, having regard to the consultation response and the Equality Impact Assessment (Appendix 4 of the report), agree to the recommendation from the Scrutiny Committee that the 2018/19 Council Tax Rebate scheme should be amended to that shown in Appendix 1. This will award entitlement to working age recipients based on bands of income and will:

a) increase the maximum support available to working age recipients to 85% of their Council Tax liability;
b) apply a flat rate deduction of £5 a week for each non-dependant;
c) disregard carers' allowance from the income used to work out CTR
d) provide extra assistance for young people who have left local authority care by increasing maximum support to 100% of the Council Tax liability for single applicants up to the age of 25 where their weekly income falls within Band 1.

RESOLVED (2) that working age applicants with protected characteristics who will receive reduced CTR from 1 April 2018, should be invited to submit a claim for a discretionary reduction to mitigate the effects in moving to a Banded Income CTR scheme.

C60 Heart of the South West (HotSW) Joint Committee

(Report No. WSC 133/17, circulated with the Agenda.)

On 15 February 2017 an Executive Councillor Record of Decision (by Cllr Anthony Trollope-Bellew, the Leader of the Council) was published (Appendix C), confirmed 'in principle' approval to the establishment of a HotSW Joint Committee, subject to approving the Joint Committee's constitutional arrangements and an inter-authority agreement necessary to support the Joint Committee.

A Members' Briefing Paper was also issued and shared with Group Leaders in February which provided an update following the July 2016 'in principle' Council approvals to progress negotiations for a devolution deal and the establishment of a Combined Authority, both subject to further report and the approval of the 17 councils. The report set out the necessary documents which, if agreed, would enable the Joint Committee to be formally established.

The Leader of Council presented the report and provided background information. He drew attention to the key role of the HotSW Joint Committee which was to develop the Productivity Strategy; and it was noted that decisions of the Joint Committee would be taken at a local level. He further pointed out that the creation of a single strategic public sector partnership covering the HotSW area would provide a formal structure to engage with Government at a strategic level. It was hoped that by being a member, the West Somerset district would benefit.

The Leader proposed the recommendations of the report which were seconded by Councillor A Hadley.

RESOLVED (1) that the recommendation of the HotSW Leaders (meeting as a shadow Joint Committee) to form a Joint Committee for the Heart of the South West be approved.

RESOLVED (2) that the Arrangements and Inter-Authority Agreement documents set out in appendices A and B of the report for the establishment of the Joint Committee with the commencement date of Monday 22 January 2018 be approved.

RESOLVED (3) that Cllr Anthony Trollope-Bellew and Cllr Mandy Chilcott be appointed as the Council's named representative and substitute named representative on the Joint Committee.

RESOLVED (4) that Somerset County Council be appointed as the Administering Authority for the Joint Committee for a 2 year period commencing 22 January 2018.

RESOLVED (5) that the transfer of the remaining joint devolution budget to meet the support costs of the Joint Committee for the remainder of 2017/18 financial year subject to approval of any expenditure by the Administering Authority be approved.

RESOLVED (6) that an initial contribution of £1,400 for 2018/19 to fund the administration and the work programme of the Joint Committee be approved, noting that any expenditure will be subject to the approval of the Administering Authority.

RESOLVED (7) that the key function of the Joint Committee to approve the Productivity Strategy (it was intended to bring the Strategy to the Joint Committee for approval by February 2018) be agreed.

RESOLVED (8) that the initial work programme of the Joint Committee aimed at the successful delivery of the Productivity Strategy be authorised.

RESOLVED (9) that the proposed meeting arrangements for the Joint Committee including the timetable of meetings for the Joint Committee as proposed in para 2.14 of the report be agreed.

C61 **Fees and Charges 2018/19**

(Report No. WSC 143/17, circulated with the Agenda.)

The purpose of the report was to set out the proposed fees and charges for next financial year, 2018-2019.

The Lead Member for Resources and Central Support presented the report and drew attention to the Scrutiny Committee's recommendations, which included a suggested proposal that the proposed charge to the Sea Scouts Group be waived for the next 12 months whilst the legal position regarding a 1948 document between the Sea Scouts Group and the Council's predecessor body was established and clarified. On consideration of this, the Lead Member proposed the recommendation in the report, with an addition to the printed recommendations to include, "In respect of the proposed charge in Appendix F of the report – Watchet and Minehead Harbours – relating to the use of a harbour by charities and community groups of £100, the fee in respect of the Watchet Sea Scouts' use of Watchet Harbour be waived for a 12 month period from 1 April 2018 to enable further discussions and investigations to be made in regard to a 100 year Agreement made with the Watchet Sea Scouts in 1948." The recommendations, as amended, were seconded by Councillor M Dewdney.

The Lead Member for Environment responded to the various concerns and issues raised by the public speakers. He clarified that any money raised through charges would be reinvested into the harbours.

The Lead Member for Community and Customer expressed his concerns about charging charitable and community groups to use the harbour slipway. He also disagreed with the fishing permit charges and felt that fishing from the harbour should be encouraged as it was safer, especially for those fishing with young children. He proposed an amendment that the charges relating to the 'non-standard shared use of the harbour, charities and community groups' and the 'fishing permits Minehead and Watchet' be suspended for 12 months. This was seconded by Councillor P Murphy.

On being put to the vote the amendment was CARRIED.

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

RESOLVED **(1)** that the Fees and Charges proposals be added to the 2018/19 budget, with the new charges for Environmental Health to come into effect from 1 January 2018, be approved.

<u>RESOLVED</u> (2) that in respect of the proposed charges in Appendix F of the report – Watchet and Minehead Harbours – relating to the non-standard use of the harbour by charities and community groups and fishing permits be waived for a 12 month period from 1 April 2018. This would also enable further discussions and investigations to be made in regard to a 100 year Agreement made with the Watchet Sea Scouts in 1948.

C62 <u>Hinkley Tourism Strategy Phase 3 Delivery Plan 2018-19</u>

(Report No. WSC 142/17, circulated with the Agenda.)

The purpose was report to Council on what has been achieved in the first three years of delivering the Hinkley Tourism Strategy 2015-20 under Phase 1 and 2 Action Plans; to consult with Council on the details of a refreshed strategy, and proposals for a new Phase 3 Action Plan for 2018 and 2019; and to request the drawdown of £258,000 from Hinkley Point C Section 106 allocations available for tourism, to deliver the Phase 3 Action Plan.

The Lead Member for Regeneration and Economic Growth presented the item and provided background information. He drew attention to the reasons for refreshing the Hinkley Tourism Strategy and the four strategic aims. The work of the Hinkley Tourism Action Partnership covered the whole of Somerset, of which two of the key priorities fell within the West Somerset district. The Lead Member also took the opportunity to thank the Economic Development Team for their incredibly hard work in delivering the strategy.

The Lead Member proposed the recommendations of the report which were duly seconded by Councillor C Morgan.

<u>RESOLVED</u> (1) that the refreshed Hinkley Tourism Strategy 2015-20 and Phase 3 Action Plan for delivery between January 2018 and September 2019 be approved.

<u>RESOLVED</u> (2) that the request for drawing down £258,000 of Hinkley Point C Section 106 allocations available for tourism to deliver the Phase 3 plan be approved.

C63 <u>Earmarked Reserves Review</u>

(Report No. WSC 144/17, circulated with the Agenda.)

The purpose of the report is to provide information on the Earmarked Reserves Review for 2017-2018.

The Leader of Council presented the report. During the Review, £79,086 of earmarked reserves were deemed to be no longer required to be held and it was recommended that these be transferred to the General Fund Reserve.

The Leader proposed the recommendation which was seconded by Councillor A Hadley.

RESOLVED that the proposals as detailed in the report be approved.

C64 Business Rates Pool and 100% Business Rates Retention Pilot

(Report No. WSC 145/17, circulated with the Agenda.)

Following a recent meeting with Group Leaders, we submitted a bid to DCLG to become a pilot for 100% Business Rates Retention in 2018/19 with our county-wide district and County neighbours. The purpose of this report was to provide Councillors with the rationale and detail behind the bid. It was important to be clear that 100% BRR did not mean all of the business rates collected would be kept in the area, but the councils would keep 100% of the business rate growth above our funding baseline.

The Leader of Council presented the item and informed that this was a trial for one year only. He highlighted key points from the report and advised that the Council could decide to withdraw from the pooling arrangement if it did not offer the benefits envisaged. The modelling suggested the potential financial benefits were considerable albeit not without risk. It was noted that the no detriment clause had yet to be clarified by central Government. The Leader stressed the following points – the Council had not yet been accepted on to the pool; the figures were only estimates; it would be a one-off windfall, and the 100% BRR pilot was a trial scheme at this stage.

The Leader proposed the recommendations which were duly seconded by Councillor R Thomas.

RESOLVED (1) that the urgent decision made by the Leader of the Council and S151 Officer that the Council participated in the pooling arrangement together with other Somerset authorities (Somerset County Council, Mendip District Council, Sedgemoor District Council, South Somerset District Council, West Somerset Council) under the 50% Business Rates Retention scheme for 2018/19 be endorsed.

RESOLVED (2) that the urgent decision to apply to Government for the Somerset Business Rates Pool comprising the county and five districts to become a pilot area for 100% Business Rates Retention in 2018/19 financial year be endorsed.

RESOLVED (3) that delegated authority to the S151 Officer, in consultation with the Leader, to decide whether to remain in the Pool and, if approved by Government, the 100% BRR Pilot scheme when the Government's Provisional Settlement details were announced in December 2017 be approved.

C65 Minutes and Notes for Information

(Minutes and Notes relating to this item, circulated via the Council's website.)

RESOLVED (1) that the notes of the Exmoor Area Panel meetings held on 12 September and 7 November 2017 be noted.

RESOLVED (2) that the notes of the Minehead Area Panel meetings held on 8 March and 11 October 2017 be noted.

RESOLVED (3) that the notes of the Dunster Area Panel meetings held on 24 July and 30 October 2017 be noted.

RESOLVED (4) that the notes of the Watchet, Williton and Quantock Vale Area Panel meetings held on 20 June and 19 September 2017 be noted.

The meeting closed at 6.40 pm.

WSC 15/18

West Somerset Council

Full Council – 23 February 2018

Treasury Management Strategy Statement, Annual Investment Strategy and MRP Policy 2018/19

This matter is the responsibility of Councillor Mandy Chilcott, Lead Member for Resources and Central Support

Report Author: Andrew Stark, Interim Financial Services Manager

1. Executive Summary

1.1 The purpose of this report is to inform Members of the recommended strategy for managing the Council's cash resources including the approach to borrowing and investments. It also seeks the formal approval of the Treasury Management Strategy Statement, Annual Investment Strategy and MRP Policy which must be approved by Full Council by 31 March each year in line with regulations.

1.2 The Strategy has been prepared taking into account professional advice and information from the Council's treasury management advisor Arlingclose.

1.3 The Strategy continues to prioritise security and liquidity of cash over investment returns.

1.4 The Council currently has no external borrowing.

1.5 The Council's investment balances have ranged between £10.068m and £22.160m during the last 12 months of which an average of £9.860m was Section 106 monies received from EDF in respect of the proposed Hinkley Point C development.

1.6 The Bank Base Rate increased to 0.50% on 2nd November 2017 and the Council's treasury management advisor, Arlingclose, has advised that their central case is for the UK Bank Rate to remain at 0.50% during 2018/19.

2. Recommendations

2.1 Full Council approves the Treasury Management Strategy Statement (TMSS), Annual Investment Strategy and MRP Policy for 2018/19 as included with this report.

2.2 Full Council approves the Prudential Indicators included within the TMSS which include limits for borrowing and investment.

2.3 Full Council approves the Council's Minimum Revenue Provision (MRP) policy.

3. RISK ASSESSMENT

Risk Matrix

Description	Likelihood	Impact	Overall
The Treasury Management Strategy and associated policies are not approved by Full Council in advance of the new financial year and become outdated.	Possible (2)	Major (4)	Medium (8)
Mitigation - The Treasury Management Strategy is approved by Full Council in March 2018 at the latest.	Rare (1)	Minor (2)	Low (2)

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

4. Background Information

4.1 The full Draft Treasury Management Strategy Statement (TMSS), Annual Investment Strategy (AIS) and Minimum Revenue Provision (MRP) Policy are attached to this report. Due to the nature of the subject, and also in order to comply with both legislative and policy requirements, the documents contain a significant amount of technical detail and data.

4.2 The TMSS and related policies have been prepared taking into account the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes ("the Code") and CLG Guidance on Local Government Investments ("the Guidance").

4.3 CIPFA has also published its new 2017 editions of the *Treasury Management Code* and the *Prudential Code.* Here they list the changes since the 2011 editions, and offer guidance on producing the 2018/19 Treasury Management Strategy.

4.4 The key principles of the Code are 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 states that responsibility for treasury management lies within the organisation and that the Strategy states the appetite for risk;

- That value for money and suitable performance measures should be reflected in the framework.

4.5 The Code also identifies four clauses to be adopted and these are as follows:

- The creation and maintenance of a policy statement and suitable treasury management practices which set out the means of achieving the policies and ensuring management and control;

- The minimum reports (to the body that approves the budget) should be an annual strategy and plan prior to the start of the financial year, a mid-year review and an annual report after its close. A local council should ensure that its' reporting enables those responsible for treasury management to effectively discharge their duties;

- Details of delegated responsibility for implementation and monitoring of policies and for the execution and administration of treasury management decisions. For this Council the delegated person is the Section 151 Officer;

- Details of the body responsible for the scrutiny of treasury management strategy and policies. For this Council the delegated body is the Audit Committee.

4.6 The Council's finance officers have worked closely with Arlingclose, our treasury advisor, to consider the requirements of the Code and Guidance and determine the proposed TMSS, AIS and MRP Policy that ensure compliance and provide a set of 'rules' for the Council to follow in dealing with investments, borrowing and cash flow management.

4.7 The current core principles remain in place within the proposed TMSS for 2018/19, which is to prioritise security (avoiding loss of council funds) and liquidity (quick access to cash) over return (interest costs and income).

4.8 However the TMSS for 2018/19 continues 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 ongoing risks in the financial sector the treasury strategy continues to build in greater "diversification" – so that we will hold surplus funds in a wider range of investments/accounts i.e. we are spreading the risk. Table 2 within the TMSS sets this out in a useful summary.

5. Treasury Management Strategy Statement

5.1 Council approves the strategy in advance of the new financial year and receives annual and mid-year reports, in accordance with the Code.

5.2 This Strategy is written in continuing challenging and uncertain economic times. The current economic outlook has several key treasury management implications:

- Investment returns are likely to remain relatively low during 2018/19
- With short-term borrowing interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term

5.3 This Strategy looks to reduce exposure to risk and volatility at this time of significant economic uncertainty by

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

5.4 The historically low interest rate situation has led to significant reductions in investment income in the past years which impacts directly on the Council's budget.

5.5 The Council's general fund capital financing requirement (CFR) for 2018/19 is £5.1m which is proposed to be funded through internal borrowing.

5.6 Attached to this report is the draft recommended full Treasury Management Strategy Statement, Annual Investment Strategy and MRP Policy.

5 Minimum Revenue Provision

5.1 The proposed Minimum Revenue Provision Policy continues the policy approved for 2017/18. This is included in Appendix E.

6 Links to Corporate Aims / Priorities

6.1 The Council must approve and maintain appropriate treasury management arrangements to ensure good governance and stewardship of public resources, and to comply with relevant regulations and guidance.

7 Finance / Resource Implications

7.1 The estimated costs and income of projected investment and borrowing requirements have been reflected in the Council's MTFP forecasts. The Council procures specialist treasury management advice to assist finance officers with advice and support to ensure robust treasury management arrangements are delivered. Additionally, appropriate training is undertaken by staff. These costs are incorporated within existing budgets.

8 Legal Implications

8.1 This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

8.2 In March 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

8.3 In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

9 Environmental Impact Implications

9.1 None.

10 Safeguarding and/or Community Safety Implications

10.1 None.

11 Equalities and Diversity Implications

11.1 None.

12 Social Value Implications

12.1 None.

13 Partnership Implications

13.1 None.

14 Health & Wellbeing Implications

14.1 None.

15 Asset Management Implications

15.1 None.

16 Consultation Implications

16.1 None.

Democratic Path:

- **Corporate Policy Advisory Group (PAG)**
- **Cabinet – 7 February 2018**
- **Full Council – 23 February 2018**

Reporting Frequency: Annual

List of Appendices

Appendix A	Treasury Management Strategy Statement and Annual Investment Strategy 2018/19

Appendix B	Arlingclose Economic and Interest Rate Forecast – November 2017
Appendix C	Existing Investment and Debt Portfolio Position
Appendix D	Prudential Indicators 2018/19
Appendix E	Annual Minimum Revenue Provision Statement 2018/19

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Appendix A

West Somerset Council

Treasury Management Strategy Statement 2018/19

Introduction

In March 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in 2017, but has yet to publish a revised Code.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

Revised strategy: In accordance with the CLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Council's capital programme or in the level of its investment balance.

External Context

Economic background: The major external influence on the Council's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit outlook: High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ring-fence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain very low.

Interest rate forecast: The Council's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix B***.

Local Context

On 31 December 2017, the Council had no external borrowing and £20.284m of investments. This is set out in further detail at ***Appendix C***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.17 Actual £000	**31.3.18 Estimate £000**	**31.3.19 Forecast £000**	**31.3.20 Forecast £000**	**31.3.21 Forecast £000**
General Fund CFR	5,347	5,204	5,061	7,757	7,538
Less: External borrowing	0	0	0	(2,839)	(2,720)
Internal borrowing	**5,347**	**5,204**	**5,061**	**4,918**	**4,818**
Less: Usable reserves	(6,840)	(5,551)	(6,492)	(6,492)	(6,492)
(Investments) or New Borrowing	**(1,493)**	**(347)**	**(1,431)**	**(1,574)**	**(1,674)**

Note: Table 1 shows the movement of the Capital Financing Requirement (CFR) each year based on the planned capital expenditure and funding decisions approved. A supplementary estimate was approved in year in respect of the mixed development proposal at Seaward Way amounting to £2.839m, proposed to be funded from external borrowing. From 2018/19 onwards the MRP charge will revert back to being a charge to the revenue account as opposed to being funded from the capital receipts reserve, which it has been for the 3 preceding financial years.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2018/19.

The Assistant Director – Strategic Finance and S151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

Borrowing Strategy

The Council currently holds no external loans, and it forecasts the borrowing requirement is fully covered by internal borrowing, however as part of its strategy for funding previous years' capital programmes the Council may need to borrow externally in the future and in addition may choose to borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit of £24 million.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Council may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Somerset Pension Fund)
- capital market bond investors

- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- UK Local Authorities

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

Short-term and Variable Rate Loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt rescheduling: The PWLB allows Councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

<u>Investment Strategy</u>

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £10.068m and £22.160m, of which an average of £9.860m is Section 106 monies received from EDF in respect of the proposed

Hinkley Point C development. Similar levels are expected to be maintained in the forthcoming year.

Objectives: Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to continue to diversify into more secure and/or higher yielding asset classes during 2018/19. The majority of the Council's core surplus cash currently remains invested in short-term unsecured bank deposits and money market funds. This will represent a continuation of the strategy adopted in 2017/18. Monies held in respect of the Hinkley S106 agreement will continue to be placed in the Debt Management Office as well as in Government Sterling Money Market Funds and Treasury Bills, aimed at removing investment risk but accepting lower rates of return.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in Table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£1m 5 years	£2m 20 years	£2m 50 years	£1m 20 years	£1m 20 years
AA+	£1m 5 years	£2m 10 years	£2m 25 years	£1m 10 years	£1m 10 years
AA	£1m 4 years	£2m 5 years	£2m 15 years	£1m 5 years	£1m 10 years
AA-	£1m 3 years	£2m 4 years	£2m 10 years	£1m 4 years	£1m 10 years
A+	£1m 2 years	£2m 3 years	£1m 5 years	£1m 3 years	£1m 5 years
A	£1m 13 months	£2m 2 years	£1m 5 years	£1m 2 years	£1m 5 years
A-	£1m	£2m	£1m	£1m	£1m

	6 months	13 months	5 years	13 months	5 years
BBB+	£500k 100 Days	£1m 6 months	£500k 2 years	£500k 6 months	£500k 2 years
Unrated	£500k 6 months	n/a	£2m 25 years	£50k 5 years	£1m 5 years
Pooled funds	Up to 50% of total investments limited to £2m in each fund				

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment as part of a diversified pool in order to spread the risk widely.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities

Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Operational bank accounts: The Council may incur operational exposures, for example though current accounts and collection accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in. The Council uses Natwest as its operational bank, which has a current rating of BBB+. With this in mind balances held overnight will therefore not exceed £500k.The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
    - o the UK Government,
    - o a UK local authority, parish council or community council, or
    - o a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	Cash limit
Total long-term investments	£10m
Total investments without credit ratings or rated below BBB+	£4m
Total non-specified investments	£14m

Investment limits: The Council's revenue reserves available to cover investment losses are forecast to be £5.551m on 31st March 2018. In order that no more than £2m of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £2m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£2m
UK Central Government	Unlimited
Any group of organisations under the same ownership	£2m per group
Any group of pooled funds under the same management	£2m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£2m per country
Registered providers	£5m in total
Loans to unrated corporates	£2m in total
Money Market Funds	£10m in total

Liquidity management: The Council uses a spreadsheet which details the Council's cash flow on a daily basis to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Council may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, as loans to local businesses and landlords, or as equity investments and loans to the Council's subsidiaries.

Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

Currently the Council has no existing non-treasury investments.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A-

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target
Total cash available within 3 months	£15m

Interest rate exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2018/19	**2019/20**	**2020/21**
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	100%	100%	100%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity structure of borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment

Principal sums invested for periods longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£10m	£6m	£6m

<u>Other Items</u>

There are a number of additional items that the Council is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on the use of financial derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Investment training: The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

Investment advisers: The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by holding quarterly meetings and tendering periodically. The last tender was completed in March 2014.

Investment of money borrowed in advance of need: The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £24m. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

<u>Financial Implications</u>

The budget for investment income in 2018/19 is £0.028m. The budget for debt interest paid in 2018/19 is £0.005m. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

<u>Other Options Considered</u>

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Assistant Director – Strategic Finance and S151 Officer, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix B

Arlingclose Economic & Interest Rate Forecast November 2017

Underlying assumptions:

- In a 7-2 vote, the Monetary Policy Committee (MPC) increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.

- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.

- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.

- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK’s fiscal position.

- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.

- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.19**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.15**
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.22**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.20**
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.27**
Arlingclose Central Case	**0.70**	**0.70**	**0.70**	**0.70**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.77**
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	**-0.26**
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**0.75**	**0.75**	**0.80**	**0.80**	**0.80**	**0.85**	**0.90**	**0.90**	**0.95**	**0.95**	**1.00**	**1.05**	**1.10**	**0.89**
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.33**
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.35**	**1.40**	**1.45**	**1.50**	**1.55**	**1.55**	**1.36**
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.33**
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.85**	**1.85**	**1.85**	**1.85**	**1.85**	**1.90**	**1.90**	**1.95**	**1.95**	**2.00**	**2.05**	**2.05**	**2.05**	**1.93**
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.38**
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.75**	**1.80**	**1.85**	**1.90**	**1.95**	**1.95**	**1.95**	**1.95**	**1.82**
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.39**

Appendix C

Existing Investment & Debt Portfolio Position

	31/12/2017 **Actual Portfolio £m**	31/12/2017 **Average Rate %**
Total External Borrowing	**0**	**0.00**
Investments:		
Long Term	0	0.00
Short Term	20.284	0.33
Total Investments	20.284	0.33
Net investments	**20.284**	**0.33**

Appendix D

Prudential Indicators 2018/19

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Council's planned capital expenditure and financing may be summarised as follows:

Capital Expenditure and Financing	**2017/18 Predicted £000**	**2018/19 Estimate £000**
General Fund Schemes	1,407	376
S106 Funded - General Schemes	54	
S106 Funded – Hinkley Schemes	81	
Total Capital Expenditure	**1,542**	**376**
Capital Receipts	(794)	(26)
Government Grants	(491)	(350)
Earmarked Reserves	(86)	
Revenue	(36)	
S106 Funded - General Schemes	(54)	
S106 Funded – Hinkley Schemes	(81)	
Total Capital Financing	**(1,542)**	**(376)**

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	31.03.18 Revised £000	31.03.19 Estimate £000	31.03.20 Estimate £000	31.03.21 Estimate £000
General Fund	5,204	**5,061**	7,757	7,538

The CFR is forecast to increase (before the reduction of MRP) by £2.839m in 2019/20 which incorporates the need for external borrowing in respect of the mixed development proposal at Seaward Way.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.18 Revised £000	31.03.19 Estimate £000	31.03.20 Estimate £000	31.03.21 Estimate £000
Borrowing	0	**0**	2,839	2,720

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.

Operational Boundary	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Borrowing	12,000	**12,000**	12,000	12,000

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2017/18 Limit £000	2018/19 Limit £000	2019/20 Limit £000	2020/21 Limit £000
Borrowing	24,000	**24,000**	24,000	24,000

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2017/18 Revised %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Fund	-0.38	**1.85**	2.13	1.85

The revised estimate for 2017/18 is negative due to the Council having no debt to service (no interest to pay on borrowing) and a capital programme which does not impact on the revenue budget.

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
General Fund - increase in annual band D Council Tax	**0**	0	0

Adoption of the CIPFA Treasury Management Code: The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in March 2012 It fully complies with the Codes recommendations.

Appendix E

Annual Minimum Revenue Provision Statement 2018/19

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

The MRP methodology was reviewed in 2016/17 to ensure that our approach was appropriate for our financial stability and was robust and prudent for future capital expenditure.

The weighted average useful life approach was deemed to be the most prudent approach and took into consideration the materiality of each asset and its recorded remaining useful life. The weighted average was then applied to the class of asset then applied across the whole fixed asset base. That gave a robust basis to support the asset life applied to MRP calculations and be appropriate for audit scrutiny.

This base calculation will stay the same but any additional CFR is calculated separately and added to the MRP as a distinct calculation thus protecting the original calculation and adding to it where appropriate.

For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan.

Capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

Report Number: WSC 16/18

West Somerset Council

Full Council – 23 February 2018

Annual Budget and Council Tax 2018/19

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

Report Author: Andrew Stark, Interim Financial Services Manager

1 Executive Summary

1.1 The purpose of this report is to provide Members with the information required for Full Council to approve the proposed revenue budget and for 2018/19, and to approve its proposed Council Tax rate for 2018/19.

1.2 The Final Grant Settlement was issued on 6 February 2018 and included details regarding general revenue grant funding, New Homes Bonus, and business rates retention baseline and tariff. Overall the general grant funding available to deliver services has again reduced significantly in 2018/19:

a) General funding, Revenue Support Grant has reduced by £146,692 (46%) whilst Rural Services Delivery Grant has increased by £42,222 (25%).
b) New Home Bonus funding has reduced by £148,994 (27%)

1.3 The business rates position is skewed by the 2017 Revaluation of rateable values (RV) and adjustments to the Tariff payment the Council is required to make as a result. The Council approved a revised budget and MTFP estimates in August 2017. This reflected an expected increase in retained business rates in 2018/19 due mainly to the uplift in the RV for Hinkley B power station – **therefore this increase is already reflected in our financial forecasts**. Consequently, the net 2018/19 business rates income forecast was revised to £2,647,765. This was an increase of £1,502,650 compared to previous year and included a retrospective one-off credit adjustment (due to timing differenced) of an estimated £1,466,010 to the Tariff. Following the Provisional Settlement the net 2018/19 business rates income forecast has been updated to £1,963,602 – so lower than previously estimated but still a large increase compared to 2017/18.

1.4 Due to the timing differences in the adjustment to the Tariff for the 2017 Revaluation, the net business rates income retained for 2019/20 will level out in broad terms, to an estimated £1.9m approximately – which is approximately £800,000 higher than the 2017/18 funding level.

1.5 The 2018/19 budget also includes a prior year net Collection Fund surplus of £460,415 (£395,751 business rates surplus, £64,664 council tax surplus).

1.6 Following the completion of the NNDR1 in January the forecasts are now showing a reduction in the 2017/18 predicted Business Rate Collection Fund Surplus to £395,751 (£58,285 less than reported at Scrutiny Jan 2018) and the Retained Business Rates funding is now forecast to be £496,896 less than was previously predicted following the review of business rates income. In order to partially offset this additional pressure, Cabinet is minded to transfer £491,397 from the Business Rates Smoothing Reserve. Cabinet is also minded to transfer £160k to the Sustainability Reserve to provide further invest to save funds.

1.7 The updated Medium Term Financial Plan indicates that, despite forecasting a balanced budget for 2018/19, the ongoing Budget Gap remains challenging considering the savings already assumed within the MTFP and the limited number of areas available to find further savings.

1.8 It is also important to emphasise that there remains significant uncertainty in financial forecasts beyond 2019/20. The current four year settlement sets proposed government grant funding up to 2019/20. The outcome of the Fair Funding Review is expected to be implemented in April 2020. Business rates baseline and tariff are due to be reset in 2020, and the proposed move to 100% continues to be developed, perhaps for implementation in April 2020. Notwithstanding these factors which will influence future funding, a major proportion of our retained business rates funding relies on Hinkley. There is a significant risk of funding reduction if Hinkley B is decommissioned earlier than currently forecast or has unplanned outages. There is a high probability that there will be several years between Hinkley B being decommissioned and Hinkley C generating, which would lead to a significant 'trough' in our business rates income. Councillors are strongly advised to plan prudently for this longer term risk when considering budget plans.

2 Recommendations

2.1 Full Council notes the forecast Medium Term Financial Plan and Reserves position, and notes the S151 Officer's Robustness Statement as set out in Appendix A of this report.

2.2 Full Council approves the 2018/19 Budget.

2.3 Full Council approves a 2018/19 Council Tax increase of 3.32%, increasing the Band D basic tax rate by £5 to £157.32, comprising £155.56 for services and £1.76 on behalf of the Somerset Rivers Authority.

2.4 Full Council approves the minimum reserves level at £700,000.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
Risk - West Somerset Council is unable to balance the budget	Feasible (3)	Catastrophic (5)	High (15)

Description	Likelihood	Impact	Overall
Mitigation - Members approve options to balance the budget	*Very Unlikely (1)*	*Catastrophic (5)*	*Low (5)*

Risk Scoring Matrix

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

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

4 Background Information

4.1 The General Fund Revenue Account is the Council's main fund and shows the income and expenditure relating to the provision of services which residents, visitors and businesses all have access to including planning, environmental services, car parks, certain housing functions, community services and corporate services.

4.2 The Council directly charges individual consumers for some of its services through fees and charges. The expenditure that remains is mainly funded through a combination of local taxation (including council tax and a proportion of business rates) and through grant funding from Central Government (including Revenue Support Grant, New Homes Bonus and other non-ringfenced and specific grants/subsidy).

4.3 Each year the Council sets an annual budget which details the resources needed to meet operational requirements. The annual budget is prepared within the context of priorities identified by Members which are embedded in the Council's current Corporate Plan.

4.4 It has been well reported that the Council faces significant and ongoing financial challenges, with a continuation of the annual reductions in Government funding for local council services as the Government seeks to reduce the national deficit. In addition volatility in other funding sources, such as business rates adds to the financial pressure faced by the Authority.

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

5 Finance Settlement 2018/19

5.1 The Government's Final Finance Settlement for 2018/19 was issued on 6 February 2018.

6 Fair Funding Review

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

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

6.3 In particular, it:

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

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

7 General Grant Funding

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

Table 1 – General Government Grant

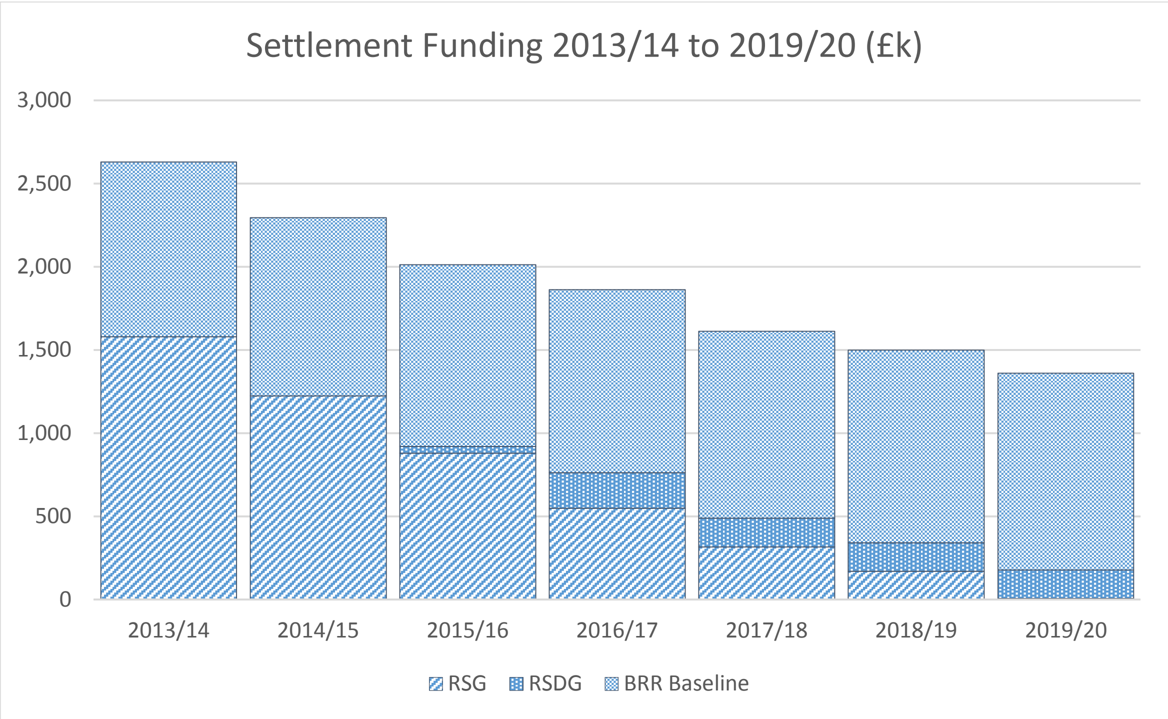
	2017/18 £	2018/19 £	Change £	
Revenue Support Grant (RSG)	316,885	170,193	-146,692	-46%
Rural Services Delivery Grant (RSDG)	171,530	213,752	+42,222	+25%
Total General Revenue Grant Funding	**488,415**	**383,945**	**-104,470**	**-21%**

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

Table 2 – Settlement Funding

	13/14 £k	14/15 £k	15/16 £k	16/17 £k	17/18 £k	18/19 £k	19/20 £k
RSG	1,579	1,225	880	550	317	170	6
RSDG*	0	0	41	212	172	214	172
BR Baseline	1,051	1,071	1,092	1,101	1,123	1,157	1,183
Govt Settlement	2,630	2,296	2,013	1,863	1,612	1,541	1,361

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



8 Business Rates Retention and 100% Business Rates Pilot Bid

8.1 Following an invitation from Central Government on 1 September for local authorities to bid to become a 100% Business Rates Retention Pilot, we submitted a bid alongside the County Council and our other Somerset district partners. We explained to Members that this was not the same proposal as the original 100% Business Rates Retention Scheme that the Government had been promoting to be implemented by the end of Parliament. This revised scheme referred solely to the retention of the whole of the growth element of Business Rates, 50% of which historically has gone to Government.

8.2 The “back-up” position was that if we were not successful in our bid that we would still like to have approval to form a Pool and enjoy the benefits which accrue from the mixture of tariff and top-up authorities from the lower and upper tiers.

8.3 There was significant interest in becoming a pilot with Government receiving 27 bids overall. Unfortunately we were not successful despite putting forward a strong bid, with only 10 new pilot areas being agreed. We were however given approval to form a Pool under the existing 50% Retention system and we are currently looking at our Business Rates forecasts alongside our partners to establish how much this could deliver in terms of additional funds. From our initial computations this was forecast to be in the region of up to £600k but there will need to be detailed work undertaken by all Pool members to shore up the most recent projections. We are confident that the potential gains far outweigh the risk of being in a pool, but prudently we have not factored any gain into budget at this stage as it remains uncertain.

8.4 The Provisional Settlement announcement by Government on 19 December incorporated adjustments to both the baseline and tariff methodology which led to a reduction of £218k in the Business Rates retained by the Council (see Table 8) compared to previous estimates.

8.5 Provisional estimates have now been completed for Business Rates Collection Fund Net Rates Income and these have been summarised in the table below.

Table 3a Collection Fund Rating Income Estimate 2018/19

	£k
Net Rates Payable (after reliefs)	17,000
Transitional Protection Payments	1,463
Less: Allowance for bad debts	-85
Less: Allowance for appeals	-1,615
Collectible Rates	**16,763**
Less: Costs of Collection	-77
Less: Disregarded amounts: Renewable Energy	-30
Non-Domestic Rating Income	**16,656**
WSC 40% Share of NDR Income	**6,662**

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

Table 3b – Business Rates Retention Estimates

Business Rates Retention Funding Estimates	**2016/17 Budget £**	**2017/18 Budget £**	**2018/19 Estimate £**	**2019/20 Estimate £**
40% Standard Share of Business Rates Yield	4,365,929	6,620,078	6,662,395	6,814,760
Rates yield from renewable energy schemes	50,000	50,000	29,650	30,328
Tariff to Government	-3,061,669	-6,058,369	-4,913,471	-5,025,837
Levy Payment	-250,479	0	-544,510	-556,963
Safety Net Income	0	118,676	0	0
S31 Grant	317,156	414,730	729,538	679,931
Net Retained Business Rates Funding	**1,420,937**	**1,145,115**	**1,963,602**	**1,942,219**
Net Retained B Rates Funding as % of yield	13.0%	6.9%	11.8%	11.4%

8.7 As the table shows, although our projected 40% share of business rates income has increased by approximately £2.5m between 2016/17 and 2019/20, our Tariff has also increased by approximately £2m.

8.8 There has also been a one-off adjustment to the 2017/18 Tariff. We have received clarification over the accounting treatment of this adjustment and understand that it will have a favourable effect on the 2017/18 outturn position. This forecast surplus is proposed to be transferred to the Smoothing Reserve (Table 10a)

8.9 The Council's estimated retained business rates funding has increased by £818,487 in 2018/19 compared to 2017/18. **The projected business rates income was increased as part of the 2017/18 revised budget (formally approved by Council in August 2017) to reflect the increase in Hinkley B rateable values following the 2017 Revaluation.** Although this is a welcome increase in funding it brings with it additional risk and an increased levy to Government which is reflected in the table above. The estimated funding for 2019/20 shows the ongoing impact of the 2017 Revaluation (subject to future settlements, the impacts of baseline and tariff resets, possible changes following the Fair Funding Review and implementation of 100% Retention).

9 New Homes Bonus

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

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

Table 4 – New Homes Bonus 2018/19

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

9.3 The Government has not changed the New Homes Bonus methodology this year and we continue to see a “top-slice” of 0.4% of growth which is a significant reduction to our limited growth figures each year due to our rurality and other external factors. In addition to the top-slice the Government has confirmed that the rolling up of grants has reduced to 4 years from 2018/19. Our previous MTFP forecasts had been prepared on this basis.

9.4 The impact of this new growth baseline is significant, particularly in a predominantly rural area like West Somerset. The actual growth in Band D equivalents in 2017 was 115 or 0.65%. The impact is summarised within the following breakdown of the grant allocation related to 2018/19:

Table 5 – New Homes Bonus 2018/19 Calculation

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

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

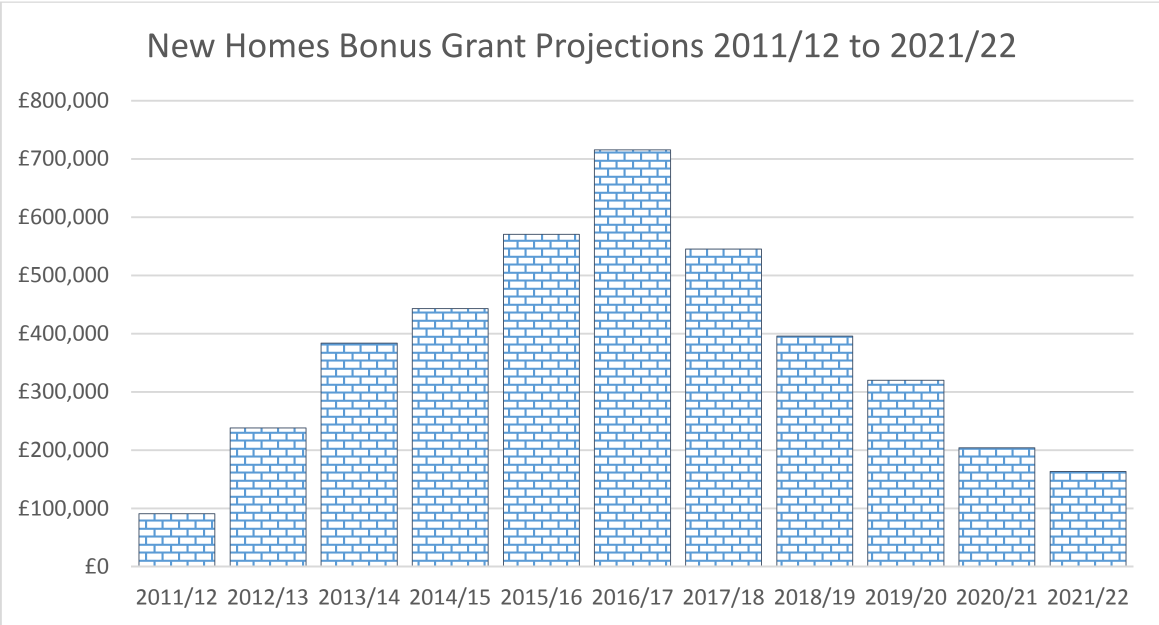
**growth is rewarded 80% to lower tier (District), 20% to upper tier (County)

9.5 As this shows, housing growth (net of new housing, demolitions and increase in empty homes) of 68.2 Band D equivalents has not been rewarded in 2017/18. This has resulted in a loss of funding of approximately **£86,780** as a result of the new top-slice for 0.4% growth.

9.6 The following table and graph summarises the historic allocations of NHB and the MTFP forecast up to 2021/22. The indicative trend indicates this grant source peaked in 2016/17 and further reductions in funding are expected in future years which inevitably adds further financial pressure for the Council’s services.

Table 6 – New Homes Bonus Grant Forecast

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



10 Council Tax

10.1 The Secretary of State has confirmed within the Provisional Settlement that Shire Districts are able to increase council tax by the greater of 2.99% or £5 (on a Band D) in 2018/19 without the need for a referendum.

10.2 The 2017/18 annual basic tax rate towards the cost of West Somerset Council services, for the average Band D property, is £150.56, and the Council also included £1.76 in respect of the Somerset Rivers Authority (SRA), making the total Band D charge £152.32 on the face of Band D tax bills in 2017/18.

10.3 Cabinet are minded to recommend to Full Council the option to increase Council Tax by 3.32% which equates to the £5 limit on a Band D property, and this is reflected in the draft budget estimates for 2018/19. For an average Band D property this will set the tax rate at £157.32 or £3.02 per week (comprising £155.56 for West Somerset services and £1.76 for the SRA). Any increase above this amount would require a referendum of local tax payers.

10.4 The approved Tax Base for 2018/19 is 14,087.92 Band D Equivalents, an increase of 227.5 (1.6%) compared to 2017/18. The draft budget estimates for Council Tax income for WSC is therefore 14,087.92 x £155.56 = £2,191,517. This represents a total increase of £104,694 compared to the previous year. The budget estimates are calculated as follows.

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

11 Somerset Rivers Authority

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

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

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

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

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

	£k	Budget Gap £k
Delay in Transformation Savings?	*?*	
Business Rates Volatility?	*?*	
Asset Management – cost pressure?	*?*	
Provisional Settlement Impact?	*?*	
Budget Gap Estimate as at 23rd November 2017		**15**

12.2 The Provisional Settlement and some other material changes to budget estimates have significantly changed the Budget Gap for next year, from £15k in November to a surplus of £224k which is proposed to be transferred to the Business Rates Smoothing Reserve (£64k) to address future risk and £160k to the Sustainability Reserve.

12.3 We have now finalised our NNDR1 Business Rates estimates for 2018/19 and they have indicated a reduction in the predicted BR Surplus for 2017/18 and also a reduction in the forecast Business Rates Retained funds. In order to mitigate this new pressure, a transfer from the Smoothing Reserve is proposed.

Table 8 – Budget Gap Following Provisional Finance Settlement and Updated Business Rates forecast

	£k	Budget Gap £k
Budget Gap as reported to Scrutiny 23rd Nov 2017		**15**
Council Tax Provisional Estimates - Tax Base Growth	-16	-1
Salary Estimates 2018/19	7	6
Fees and Charges - Environmental Health New Charge	-1	5
Fees and Charges - Harbours	-2	3
Fees and Charges - Parking	3	6
Effect of 2% Pay proposal	3	9
Estimated Council Tax Surplus 2017/18	-65	-56
Estimated BR Surplus 2017/18	-454	-510
BR Retention - Provisional Settlement Tariff and Baseline Adjs	218	-292
Provisional Settlement - Additional RSDG	-40	-332
Provisional Settlement - Additional NHB	-28	-360
Provision for potential delay in 2018/19 Transformation Savings (one-off timing difference)	136	-224
Transfer to Business Rates Smoothing Reserve	64	-160
Transfer to Sustainability Reserve	160	0
Business Rates NNDR1 adjustment	497	497
Transfer from Business Rates Smoothing	-497	0
BR Surplus 17/18 NNDR1 Adjustment	58	58
Transfer from Business Rates Smoothing Reserve	-58	0

Council Tax Collection Surplus

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

Business Rates Collection Fund Surplus

13.2 Where the total amount of business rates collected during the year varies from the budget estimates this results in a surplus or deficit balance in the Collection Fund. WSC is entitled to 40% of any surplus balance, with the final projected surplus in 2017/18 forecast at £989,377. This reflects an update in the methodology used to estimate the potential cost of appeals and other refunds. Our 40% share of this is £395,751, will be paid into the Collection Fund in 2018/19.

Business Rates Retention

13.3 As stated earlier in this report (see para 8.4) the business rates retention estimates have reduced by around £218,000 following changes detailed in the Provisional Settlement. Our NNDR1 estimates for 2018/19 have also shown a reduction to our funding which is proposed to be mitigated by a transfer from the Smoothing Reserve (see para 1.7)

New Homes Bonus

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

Sustainability Fund

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

14 Business Rates Smoothing Reserve

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

14.2 The resulting balance in the reserve would be as follows:

Table 10a – Provisional Business Rates Smoothing Reserve Balance

	£
Opening Balance 1 April 2017	**305,144**
2017/18 Budget – 2016/17 Surplus	480,635
2017/18 Transfer to Balance 2017/18 Budget	-264,917
2017/18 Projected Outturn position (provisional)	571,996
Projected Closing Balance March 2018	**1,092,858**

2018/19 Budget – Transfer re Multiplier change to CPI	78,932
2018/19 Budget – Contingency for higher risk above safety net	861,600
2018/19 Budget - Proposed transfer from Reserve re NNDR1 forecast	-491,397
2018/19 Budget – Final Grant Settlement Adjustment	5,427
Projected Closing Balance March 2019	**1,547,420**

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

14.4 The quantum of this risk is the difference between the level of Business Rates income we have in the budget and the safety net. The table below shows the current estimated budget in relation to the safety net, highlighting the level of funds at risk i.e. if business rates funding falls we would need to cover the "funding at risk" from our own reserves before the safety net is triggered. The safety net is also potentially lower under as part of the business rates pool.

Table 10b - Funding at Risk

	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Budgeted Business Rates Funding	1,963,602	1,942,219	1,979,857	2,015,917	2,050,429
Safety Net	-1,070,141	-1,094,546	-1,116,793	-1,139,040	-1,161,288
Funding at risk	**893,461**	**847,673**	**863,064**	**876,877**	**889,141**

14.5 The timing of the decommissioning of Hinkley B and Hinkley C delivering full output is currently fluid. It is not unreasonable to assume that there could be 3 to 4 years between the two Plants being operational. It is anticipated that funding would fall to the safety net during this period therefore it would be prudent to consider increasing the funds set aside within the Smoothing Reserve over the medium term to increase resilience to cover losses of up to £850k per year for 3 to 4 years to avoid disruption in funding for services.

15 2018/19 Budget Summary

15.1 The following tables provides a summary of the latest Budget position for 2018/19.

Table 11a – Draft Revenue Budget 2018/19

	Revised Budget 2017/18 £	Estimates 2018/19 £
Total Spending on WSC Services	4,590,636	4,622,234
Somerset Rivers Authority Contribution	24,394	24,795
Revenue Contribution to Capital	0	39,000
Capital Debt Repayment Provision (MRP)	0	143,100
Interest Costs	5,000	5,000
Interest Income	-31,875	-28,000
Transfers to/from Earmarked Reserves	215,718	614,562
Transfer to/from General Reserves	30,700	0
AUTHORITY EXPENDITURE	**4,834,573**	**5,420,691**
Retained Business Rates	-1,145,115	-1,963,602
Revenue Support Grant	-316,885	-170,193
Rural Services Delivery Grant	-171,530	-213,752
New Homes Bonus	-545,411	-396,417
Surplus(-)/Deficit on Collection Fund – Council Tax	-63,780	-64,664
Surplus(-)/Deficit on Collection Fund – Business Rates	-480,635	-395,751
Expenditure to be financed by District Council Tax	***2,086,823***	***2,191,517***
Council Tax raised to fund SRA Contribution	***24,394***	***24,795***
Total Council Tax Raised by WSC	**2,111,217**	**2,216,312**
Divided by Council Tax Base	13,860.4	14,087.9
Council Tax @ Band D – West Somerset Services	**150.56**	**155.56**
Council Tax @ Band D – Somerset Rivers Authority	**1.76**	**1.76**
Council Tax @ Band D – WSC including SRA	**152.32**	**157.32**
Cost per week per Band D equivalent	**2.92**	**3.02**

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

Table 11b- Summary of Budget Changes

	£k	£k
Net Expenditure Base Budget 2017/18		**4,835**
Inflation Costs	124	
Annual pension deficit payment increase	13	
HB Subsidy	37	
Other Service Changes	57	
Transformation	-45	
Fees and Charges	-51	
Other Service Savings	-104	
Financing Costs (net interest income and repayment of borrowing)	186	
Sub total - Costs		**217**
General Reserves	-30	
Business Rates Smoothing	239	
Sustainability Reserve	160	
Sub total – Reserves Movement		**369**
Net Expenditure Base Budget 2018/19		**5,421**

	£k	£k
Total Funding 2017/18		**-4,835**
Reduction in RSG	147	
RSDG	-42	
Retained Business Rates	-819	
Reduction in NHB	149	
Increased funding from Council Tax	-105	
Collection Fund Deficit	84	
Sub total – change in funding		**-586**
Total Funding 2018/19		**-5,421**

16 Revised MTFP Position

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

Table 12 – Revised MTFP Summary as at 7 February 2018

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Services Costs	4,590,636	4,622,234	4,432,373	4,585,308	4,682,706	4,827,739
Net Financing Costs	-26,875	-23,000	-23,000	-39,875	-54,250	-49,250
Repayment of Borrowing	0	143,100	143,100	143,100	143,100	143,100
Revenue contribution to Capital	0	39,000	39,000	39,000	39,000	39,000
SRA Contribution	24,394	24,795	0	0	0	0
Earmarked Reserves – Other	215,718	609,135	0	0	0	0

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
General Reserves	30,700	0	0	0	0	0
Net Expenditure	**4,834,573**	**5,420,691**	**4,591,473**	**4,727,533**	**4,810,556**	**4,960,589**
Retained Business Rates	-1,145,115	-1,963,602	-1,942,219	-1,979,857	-2,015,917	-2,050,429
Business Rates prior year surplus/deficit	-480,635	-395,751	0	0	0	0
Revenue Support Grant	-316,885	-170,193	-6,340	0	0	0
Rural Services Delivery Grant	-171,530	-213,752	-171,530	-171,530	-171,530	-171,530
New Homes Bonus	-545,411	-396,417	-320,406	-204,664	-163,701	-131,572
Council Tax–WSC	-2,086,823	-2,191,517	-2,248,596	-2,307,136	-2,367,156	-2,428,693
Council Tax–SRA	-24,394	-24,795	0	0	0	0
Council Tax prior year surplus/deficit	-63,780	-64,664	0	0	0	0
Net Funding	**-4,834,573**	**-5,420,691**	**-4,689,091**	**-4,663,187**	**-4,718,304**	**-4,782,224**
Budget Gap	**0**	**0**	-97,618	64,346	92,252	178,365
Budget Gap Increase	0	0	-97,618	161,964	27,906	86,113

Transformation of Services

16.2 The MTFP position above already includes the projected savings arising through the implementation of the Transformation Business Case, as summarised below. Without these savings the forecast budget gap would be even greater i.e. **£620k per year** by 2022/23. The savings from transformation included in the MTFP above are:

Table 13 – Transformation Savings

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

16.3 We have identified in Section 10 that the Transformation savings relating to 2017/18 and 2018/19 are expected to be delayed and we have added a pressure into the Budget Gap of £136k. We anticipate that the savings will be back on track in 2019/20 and will be delivered in full.

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

Medium Term Forecast

16.5 The forecasts for the medium term reflect the position for West Somerset Council on its own. Although it appears, at first glance, with a balanced budget for 2018/19 and 2019/20 that good progress has been made, the budget gap continues to grow and by 2022/23 it is currently projected to be £178k which is 3% of the Net Budget. The underlying financial sustainability challenge remains. **The medium term financial plan does not reflect an increase in future contributions to the business rates smoothing reserve to mitigate risks highlighted in 13.4 and 13.5 above, which will need to be addressed through the financial strategy and plan for 2019/20 onwards. Prudently we will need to plan to increase reserves by at least £2m over the medium term to mitigate this risk and protect services, which would increase the annual gap from 2019/20 by between £400,000 and £850,000.**

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

17 General Reserves

17.1 The current reserves position is shown below. The forecast Outturn for the 2017/18 budget is currently being reviewed but recent projections suggest an underspend of c£200k. This is reflected in the table below. Any final projected under/overspend will be adjusted through General Reserves.

Table 14 – General Reserves Balance 31 March 2018

	£
Balance Brought Forward 1 April 2017	858,776
2017/18 Budget: Reverse one-off transfers	30,700
2017/18 Earmarked Reserves Returned	79,086
Current Budgeted Balance	**968,562**
2017/18 Projected Outturn Variance	200,000
Projected Balance 31 March 2018	**1,168,562**
Recommended Minimum Balance	700,000
Projected Balance above recommended minimum	468,562

17.2 A review of the level of General Reserves has recently been undertaken as per the attached Appendix B. Following this review it is recommended that the minimum balance of general reserves is increased from £600k to £700k. Given the future funding risks it is strongly advised to maintain reserves above the minimum, and to increase over the medium term due to business rates funding risk.

18 Capital Programme

18.1 This is covered in a separate report.

19 Risks

19.1 **The Fair Funding Review** is proposed to be implemented in April 2020 and we are mindful that this will bring a change in funding methodology which could cause further funding shortfalls. At this stage the impact is unknown but we must highlight this as a future risk.

19.2 **The Business Rates Baseline** is due to be "reset" in 2020 whereby Central Government will assess our Baseline funding need. This is of concern as our Baseline could fall leaving us with higher levy payments and thus retaining less of our Business Rates income.

19.3 **Ongoing cost pressures** will have a further negative effect on the Council's budget in particular rising inflation coupled with a limited ability to reduce costs further. Whilst the MTFP tries to anticipate some of these pressures there will be undoubtedly other cost increases which we are not currently aware of.

19.4 The **Business Rates receivable from Hinkley C** is an unknown quantity and our budget forecasts currently assume on ongoing income stream from one or other of the Hinkley plants but in practice we expect there to be a gap between Hinkley B and Hinkley C – hence recognising the need to mitigate a 'trough' in funding in the middle of the next decade. This is a significant risk.

20 Robustness of the Budget Process

20.1 The Local Government Act 2003 requires a report on the adequacy of the - Council's financial reserves and for the S151 Officer to report on the robustness of the budget plans.

Conclusion of the Robustness of the Budget and Adequacy of Reserves

20.2 This statement is given in only respect of 2018/19 budget for West Somerset Council.

20.3 As in previous years a number of factors have been considered in this assessment, the details of which are in Appendix A to this report.

20.4 The 2018/19 budget is balanced – reflecting largely the expected increase in business rates funding. This has enabled the Council to offset the funding reduction of £296k from revenue grants in the short term. A review of base budgets has also enabled a prudent reduction in budget requirement, subject to volatility in future service demand and income trends.

20.5 In conclusion, I am comfortable that the budget estimates for 2018/19 are sufficiently robust. I cannot at this stage provide assurance in the medium to long term for West Somerset as a separate entity due to the scale of risk and uncertainty in funding forecasts beyond the next two years, and will need to review the going concern status again as part of the closedown of the financial year and 2019/20 budget preparation. This is also reflective of the substantial savings the Council has already had to deliver in previous years to remain viable, thus leaving little potential for further service cuts. The creation of a new council will increase resilience to the risks identified.

Adequacy of Reserves – Conclusion

20.6 Having reviewed the level of general and earmarked reserves I am satisfied they are adequate at this stage, and recommend reserves are increased over the medium term to mitigate future disruption to funding between Hinkley B closing and Hinkley C productivity commencing. There is very little scope for future years' budgets to be supported using reserves, with short term protection of only 1-2 years of budget risks in respect of business rates

21 Links to Corporate Aims / Priorities

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

22 Finance / Resource Implications

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

22.2 It is important that Councillors have a good understanding of the financial position and forecasts over the medium term.

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

23 Legal Implications

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

24 Environmental Impact Implications

24.1 None for the purposes of this report.

25 Safeguarding and/or Community Safety Implications

25.1 None for the purposes of this report.

26 Equality and Diversity Implications

26.1 None for the purposes of this report.

27 Social Value Implications

27.1 None for the purposes of this report.

28 Partnership Implications

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

29 Health and Wellbeing Implications

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

30 Asset Management Implications

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

31 Consultation Implications

31.1 None for the purposes of this report.

32 Scrutiny Comments / Recommendation(s)

32.1 Scrutiny Committee received a report on 18 January 2018 setting out the latest financial estimates and summarising the Cabinet proposals for balancing the budget. Salient comments arising included:

a) Concern was raised that the Government spent a majority of its time involved in Brexit negotiations, which meant it could not focus on 'business as usual'.

b) Members queried whether there were any 'invest to save' schemes available for the Sustainability Reserve.
There were schemes available and both Members and Officers were keen to undertake the work, however, capacity to undertake such work would need to be checked.

c) Members suggested that the Business Rates Smoothing Reserve should be kept at a minimal level of £1,500,000.

d) Members queried why there was still a potential delay in the Transformation Project. The delay had caused a strain of £136,000 on the budget. Concern was raised on the delay in the production of the staff structure.

When the figures were given, Officers had expected a 'minded to' decision in June 2017 and it had not been received until December 2017. Until the decision to form a New Council was given, the formation of a staff structure would be delayed. There was a requirement to ensure that the staff structure had been properly consulted on and the documents had not been released to staff yet, which meant that staff still had to go through the recruitment process.

e) Members queried if the decision was received in February 2018 or later, would the Boundary Commission have enough time to carry out the necessary work prior to the 2019 election.
Yes. The Local Boundary Commission and the Department for Communities and Local Government comments stated that everything was in place to achieve the deadlines for the 2019 election.

f) Members were confused because we currently operated with 'One Team', so this meant we only had 'One Team' to transform. Members requested clarification on why Transformation could not have started before the decision was received.
There was 'One Team' which served both Councils. The Transformation Team had been able to work on the staff structure for the New Council whilst they waited for the decision from Government, but could not make any major changes to staffing until they knew if one new Council would be created or remain as two Councils.

g) Members were pleased that the predicted deficit for next year had not occurred. However, concern was raised on what would have happened if it had and would the Transformation Project been able to carry on.
Due to the hypothetical nature of the query, Members and Officers could not give a definitive answer. Both services and jobs would have been impacted and officers would have done their best to set a budget and close the accounts.

h) Members queried whether the Council had to set a balanced budget or could a negative one be set.
No. Councils had to set a balanced budget, they were not allowed to set a negative one. Another Council had proposed a negative budget which caused the Government to intervene.

Democratic Path:

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

Reporting Frequency: Annual

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APPENDIX A

Robustness of Budget Estimates and Adequacy of Reserves 2018/19

Statement by the S151 Officer (Chief Finance Officer) – Paul Fitzgerald, Assistant Director Strategic Finance

1 Introduction

1.1 The purpose of this appendix is to outline and meet the statutory requirements contained in the Local Government Finance Act 2003 which requires the Council's Section 151 Officer to report to Members on:

- The robustness of budget estimates; and
- The adequacy of proposed reserves.

1.2 This appendix provides evidence to support my assessment. The conclusion of my review, and formal statement, is set out in the main body of the report and repeated at the end of this appendix.

2 Background

2.1 The financial history of the Council has been well documented and is widely understood. In September 2016 Full Council supported the Leaders' recommendation to progress the creation of a new transformed Council for the combined communities of West Somerset and Taunton Deane, and this led to the Submission to the Secretary of State at the end of March 2018.

2.2 Transforming the way council services are delivered and forming a new, single council will deliver significant savings to the combined community. Savings through joint transformation have been built into the Medium Term Financial Plan (MTFP), and potential further savings through forming the new Council are identified within the Business Case.

2.3 The 2017 Revaluation of Rateable Values for businesses, effective from April 2017, has seen an increase in the estimated retained funding for West Somerset. The impact of this change was identified in March 2017 and notified to all councillors. It was also reflected in the Submission to the Secretary of State. The Council formally incorporated the changes into its budget plans and MTFP when Full Council approved a Revised Budget in August 2017.

2.4 The revised MTFP approved in August 2017 shows a reduction in the scale of the financial challenge in the shorter term. However, Members need to be aware of the scale of risk and uncertainty of business rates funding when considering budget and resource decisions.

WSC MTFP Forecasts

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Budget Gap Estimates Feb 2017	0.785	0.881	1.068	1,196	1.293
Budget Gap Estimates March 2017	0.131	0.082	0.254	0.367	0.449

2.5 The above figures are based on the continuation of the joint transformation programme and incorporate transformation savings of:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
WSC Transformation Savings	0.229	0.432	0.437	0.441	0.441

2.6 The Council has accepted the four year settlement which sets out Revenue Support Grant and Rural Services Delivery Grant up to 2019/20. This has been reflected in budget plans since 2016/17.

2.7 From my perspective as your S151 Officer, the budget proposal shared by Cabinet is based on the most accurate information available therefore presents an accurate reflection of the Council's financial position.

2.8 There are key areas of uncertainty beyond 2019/20, and other potential risks in the shorter term that I have considered in commenting on the proposed budget. These are explained in further detail below and include:

- The budget and MTFP assumes relative stability in business rates funding, which are known to be volatile – a large appeal or other reduction would swiftly increase the viability challenge

- The budget relies on significant savings through transformation being delivered

- There is significant future uncertainty in terms of Government funding beyond 2018/19 with the unknown impacts of the Fair Funding Review, business rates baseline and tariff resets, New Homes Bonus changes

2.9 Other key issues to be aware of are:

- The revenue, capital, and treasury forecasts are aligned and transparent

- The 2018/19 budget proposal does not rely on using reserves to support spending on services

- The Council is exposed to significant financial risk in its business rates funding estimates before any Safety Net income is due, and the proposed budget seeks to increase short term resilience by increasing the Business Rates Smoothing Reserve balance

- A further review of viability and going concern will be completed at the end of the current financial year

- The minimum level of reserves has been reviewed and it is recommended that the minimum level be increased from £600k to £700k. Should the budget be approved, the General Fund Reserves will be marginally above this, leaving very little room for unforeseen events during the coming financial year.

3 Robustness of Budget Estimates

3.1 The proposed budget for 2018/19 (and the forecast position for future years) is the financial interpretation of the Council's priorities and, as such, has implications for every citizen of West Somerset together with all other stakeholders. A range of factors have been considered in assessing the robustness of estimates as explained in the remainder of this document.

4 Government Funding

4.1 The Council, along with the majority of authorities in the country, accepted the four year settlement plan from Government. This provides confidence in our estimates of revenue support funding up to 2019/20. As explained in the main report, RSG is as expected and RSDG included an unexpected slight increase. The final settlement confirmation is due in February 2018.

4.2 The Government continue to develop their policy on local government finance. In this year's settlement the Secretary of State indicated he plans for local government (as a whole) to retain 75% of business rates by 2020, and the move to 100% retention of business rates continues to be explored with further pilots agreed during 2018/19. The detail on how the new scheme will work, and what funding levels will be like for councils is not yet available and leaves significant uncertainty for all moving forward.

4.3 The Fair Funding Review also remains on the Government's agenda, which could see the settlement funding change due to updated assessments of "need". The timing and impact remain uncertain and at present the MTFP assumes a neutral impact.

4.4 New Homes Bonus has significantly reduced following the changes to the grant methodology introduced in 2017/18 and 2018/19.

5 Council Tax

5.1 On council tax, the Government have once again set the upper limit at a £5 annual increase for district councils on a Band D property, and have not imposed an upper limit on town/parish council precept increases. The Council is proposing a tax increase at the maximum level of £5 – a sound financial policy in light of the financial challenges ahead. The charge introduced in 2016/17 to support the Somerset Rivers Authority will continue at the same level in 2018/19.

6 Capital Programme Funding

6.1 The Cabinet's draft budget proposals for the capital programme are set out in a separate report alongside the revenue budget. To support the spending plans, councils are required to publish and monitor a set of Prudential Indicators. These are listed in full in the Treasury Management Strategy Statement which is also shared separately for approval.

6.2 The Cabinet's draft capital programme follows the principles of the Prudential Code, and I am satisfied that the treasury implications are clear and within affordable limits.

6.3 The Council embraced the new Government policy introduced in 2016/17 which allows authorities the flexibility to use capital receipts received during a fixed time period to fund revenue spending that is transformational (i.e. brings revenue savings!). This flexibility has been extended from three years to six, up to 2021/22. In September 2016, Full Council agreed to direct future capital receipts of £217,000 to part fund the programme of transformation.

7 Inflation and Other Key Budget Assumptions

7.1 I have reviewed the budget proposals and assumptions and comment as follows:

a) Inflation: Inflation assumptions appear reasonable with general inflation projected at 2% in line with longer term government targets. An appropriate level of inflation allowance has also been reflected in the budget estimates for pay, pensions and core service contracts. Services will be required to absorb variations in costs compared to budget, and significant issues highlighted through budget monitoring reports.

b) Staff Costs: The estimates reflect an appropriate cost of each post within the One Team shared management and staff structure, in line with the JMASS cost sharing agreement.

c) Service Income: Income projections are based on <u>realistic</u> assumptions on usage, and the most recent Government guidance on fee levels when appropriate. They also take into account historic trends and current year variations against budget.

d) Growth in service requirements: the MTFP identifies service growth areas such as waste collection and recycling. Detailed estimates are firmed up by discussions with managers during the budget process.

e) Savings: The Council has a strong track record of delivering savings plans, and where initiatives are sufficiently well developed and approved by Council they are included in budget plans.

f) Volatility in budget estimates: The high risk / high value budgets are rigorously examined and only prudent increases incorporated. Forecasts take into account past and current trends as well as effective management control plans.

g) Revenue Implications of Capital: The MTFP identifies and incorporates changes to the base budget as a result of the capital programme.

h) Economic assumptions: investment interest assumptions are based on independent economic forecasts and include the impact of treasury management decisions made in earlier years, as well as projected benefits from recent changes in the range of investments used for cash balances.

i) Council Tax: growth assumptions in the council tax base have been forecast at 1.6% in 2018/19 then 0.6% per year thereafter on a prudent estimate of the net effect of local growth, council tax support and other discounts. Council tax collection rates remain strong, providing confidence the income will be received as planned.

j) Member engagement in budget development: The budget approach has been reviewed by Scrutiny and agreed by the Cabinet. Scrutiny has been updated on the MTFP position during the budget setting process. All councillors have had the opportunity to be briefed on the proposals during their Group Meetings in January 2018.

k) Changes in legislation: Legislative changes are analysed by officers and their effect built into the MTFP and budget.

l) Sustainability: The proposed budget takes into account the future financial pressures faced by the Council. The Council can set a balanced budget for 2018/19. However, beyond this, the longer term viability remains an issue, as the Council has very limited resilience to reductions in funding and forecasts are subject to a high degree of uncertainty. The MTFP does not currently provide for an expected drop in business rates funding when Hinkley B ceases to operate – projected in 2023 – and the budget report indicates it would be prudent for the Council to plan to set aside **at least £2m** over the next 4-5 years to mitigate a funding 'trough' before Hinkley C power station starts to generate. This is not currently included in the financial plan, and will need to be addressed during the 2019/20 financial planning process.

m) Sensitivity analysis: The financial planning model allows the Council to predict the likely outcomes of changes to key data i.e. inflation, council tax, Government funding etc. This is helpful in sharing "what if…" scenarios with management, members and partners. Committee budget reports also provide data on tax choices – showing the impact on the Council of this important decision.

8 Delivery of Savings

8.1 The budget approach for 2018/19 has sought to avoid the need for service savings plans. The key savings in the MTFP will be delivered through transformation. The proposed budget includes a prudent allowance for the timing of savings being later than previously assumed in the Business Case, but I am confident that the programme remains on track to achieve the financial benefits in full by 2019/20. Should there be any risk to the delivery of identified savings this will be reported to Members via the budget monitoring regime.

8.2 The MTFP for West Somerset does not incorporate any notional share of savings from the creation of a new council, but the Business Case identifies that at least £550,000 of savings would be delivered if this goes ahead as proposed. This would make a positive contribution to the viability of services in the longer term.

9 Partnership Risks & Opportunities

9.1 The Council has agreed to progress the creation of a new transformed council. The Secretary of State issued his "minded to" decision in December 2017, with a period of representation closing on 19 January 2018. At the time of writing this report we await the final decision, which is clearly a fundamental consideration in assessing the longer term financial viability and resilience of West Somerset.

9.2 The Council has several other key partnership arrangements in place to support ambitions and deliver key services, supported by contractual arrangements. The most significant is our Somerset Waste Partnership (SWP) which is monitored via the Somerset Waste Board and supporting officer monitoring groups.

9.3 The Waste Partnership has recently reported that the existing contractor arrangement will end in March 2020, and the Partnership is embarking on a procurement process for a new delivery partner from April 2020. It is unknown whether the new contract price will be within budget, however it is assumed this will be achievable and will deliver some budget savings by 2021.

10 Financial Standing of the Council

10.1 The Council fully complies with the Prudential Code, has an up to date Treasury Management Policy and Strategy in place, and is operating within the agreed parameters. The Council's Treasury Management Practices are prudent and robust, ensuring the Council is not exposed to unnecessary risk in terms of its investment policies. We continue to work with our treasury advisors (Arlingclose) to optimise investment return whilst preserving capital.

10.2 The Council currently has no outstanding external debt. It is feasible that a proportion of the "business as usual" capital financing requirement will need to be externalised during 2018/19, however the revenue budget makes prudent allowance for such a scenario. The capital programme will also require loan finance for a new employment development site in Minehead, and in future is likely to require external borrowing towards the £3.5m loan to the Waste Partnership.

10.3 The Council currently has £5.2m of outstanding internal debt for which prudent repayment plans are in place.

10.4 The Council currently has £9.9m of cash flow investments, and £9.569m in relation to Hinkley. All treasury activity is placed in the markets in accordance with our policies. The levels of investment will fluctuate during the year and we continue to monitor our cash-flows carefully.

11 Track Record in Budget Management

11.1 The Council has a good track record in budget management. The most recent years have resulted in the following end of year positions:

Year	**Variance of Approved Net Budget**	
2013/14	-£0.102m	-1.90%
2014/15	£0.228m	4.20%
2015/16	-£0.132m	-2.7%
2016/17	-£0.271m	-5.9%
2017/18 Forecast	-£0.200m	-4.4%

11.2 In the context of gross expenditure of over £22.9m, the above variances are reasonable.

11.3 Members are currently provided with regular in-year updates on key budget variances (Scrutiny and Cabinet). There has been a one-off deferral from Q2 to Q3 in 2017/18 as resources were prioritised to focus on system and reporting changes.

12 Virement & Control Procedures

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

13 Risk Management

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

13.2 The Council has a Risk Management Policy in place which defines how risk is managed at different levels in the organisation. It defines roles, responsibilities, processes and procedures to ensure we are managing risk effectively.

13.3 Equalities Impact Assessments (EIA) Reviews – where appropriate – are included for Members to review.

13.4 Financial risks are managed through budget setting and by our level of reserves. We mitigate as many risks as possible by following good practice, and by monitoring key financial risks on a regular basis.

14 Key Risk Issues In 2018/19 Budget

14.1 The figures in the proposed budget for 2018/19 are based on our best estimates. These will require careful monitoring throughout the year, and swift corrective action taken should they vary from budget. The issues I need to bring to Members' attention where there is financial risk are:

14.2 Business Rates Retention: I am satisfied that the Council has put in place sound arrangements to monitor the flow of business rates income and valuation changes throughout the year. The information coming from our Revenues team is robust and forecasts are regularly reviewed to ensure they are as accurate as possible. We will continue to engage services across the Council to ensure all chargeable premises are notified and billed. The key risks associated with Business Rates Retention for West Somerset Council include the impact of:

a) Appeals and refunds
b) Collection rates and bad debts
c) Entitlement to Mandatory and Discretionary Reliefs (e.g. for charities)
d) Levy costs for growth in rates income above the Baseline
e) Accounting arrangements – with balances skewed between financial years
f) Maintaining an adequate balance in the Smoothing Reserve

14.3 The biggest risk relates to exposure to appeals, and the financial strategy includes a sensible approach to providing resilience through provisions and the Smoothing Reserve.

14.4 Business Rates Pool: A new Business Rates Pool has been formed from April 2018, with West Somerset included for the first time. Risks and opportunities through pooling have been reported to Council in 2017. From a budget perspective, no potential gain from pooling has been included, and the pool performance will be monitored carefully during the year.

14.5 Council Tax Reduction Scheme: Members have recently approved the scheme for 2018/19. We will continue to monitor the financial impact on the Council. The key risk on this item remain as last year – on the level of take-up. To date we are managing this within approved budgets, but it is something that we monitor closely.

14.6 Housing Benefits / Subsidy: The administration funding has once again reduced in 2018/19. It is possible the responsibility for this funding could shift to local authorities in future years (linked to the 100% retention of business rates), and we will monitor any consultations on this closely.

14.7 Subsidy budgets are very difficult to estimate due to the fluctuating volume of claims received and the different levels of subsidy payable of types of claimant error. The total benefit subsidy budget is approximately £12.9m – and therefore small fluctuations in this budget can have a big impact on the budget of the Council. Systems are in place to ensure this is monitored on a monthly basis. In addition, assumptions on the level of subsidy payable on Local Authority overpayments are at a prudent level.

14.8 The impact of the introduction of the Universal Credit (UC) full service for new claimants has led to a reduction in HB caseload. Resources will still be required to maintain assessment work that informs the Council Tax Rebate scheme, and to provide local support for personal budgeting advice and assistance to claimants with more complex claims that exceed the support provided by the DWP. Whilst not yet known, we anticipate the migration of all existing HB cases to UC will take place within the next 1-3 years.

14.9 Impact of Economic Changes: the Council's budgets reflect our best estimates of the impact of current economic conditions. This is an issue we need to monitor continually through the budget monitoring process – particularly on income streams from car parking, land charges, building control and development control, and expenditure on issues such as homelessness.

14.10 Hinkley Point C: the Council continues to work alongside Government and EDF on the development of Hinkley Point C. Arrangements are in place to govern and monitor all key financial decisions.

14.11 Asset Management: the Council has agreed a new Asset Strategy, which has provided greater intelligence regarding the assets estate to inform investment, disposal and maintenance decisions. If all existing assets are retained, maintenance works completed over the next five years will add pressure to existing budgets. The strategy provides a framework to enable the Council to consider plans for each asset, with the potential to avoid costs and mitigate this potential budget pressure. The size of the potential financial liability is £1.2m over the next five years and Members should bear this in mind when allocating resources and levels of reserves. Capital reserves will provide some resilience to spending requirement if costs are able to be capitalised.

14.12 New Homes Bonus (NHB) Forecasts: The Council has historically used 100% of New Homes Bonus funding to support the revenue budget. The ambition to reduce reliance on this source of funding has simply not been possible. The impact of the Government's policy change (re reduction of number of years and new growth top-slice) has been built into the financial projections.

14.13 Transformation: The budget has been prepared based on the financial implications of the transformation business case approved in 2016. Prudent provision has been included in 2018/19 to reflect the latest timetable for implementation of the new operating model.

14.14 Overall Funding and Capacity Risk: Government funding has continued to reduce year on year and this will continue to at least 2019/20. The Council has reduced in size considerably over the last 5-6 years, and this brings risk in terms of capacity (to deliver new savings ideas and to deliver significant service change). Delivering increased efficiency through transformation, and the potential for further efficiency through the creation of a new council, will be key to helping mitigate this risk. However, it is important the Council continues to prioritise resources to meet agreed priorities and objectives – particularly to activities that will support the ongoing viability of service provision.

14.15 Finally, the Council must continue to monitor the continuing impact of the Welfare Reform agenda on our community and the resultant demand for service and support, particularly now Universal Credit is live in our area.

15 Adequacy of Reserves

15.1 With the existing statutory and regulatory framework, it is my responsibility as S151 Officer to advise the Council about the adequacy of the Council's reserves position.

15.2 All reserves are reviewed at least annually and my formal opinion updated during the budget setting process each year. Following the review the minimum level of General Reserves is proposed to be increased to £700k from its current level of £600k.

15.3 A review of earmarked reserves was carried out during the budget setting process and I am satisfied that all remaining reserves are there for a specific purpose and are needed. This will be reviewed again at the closedown of the current financial year.

15.4 The Cabinet's draft budget for 2018/19 does not rely on the use reserves to support ongoing spending – which is a positive position.

15.5 As referred above, the Council is exposed to both short term and long term risks, with a key risk on an anticipated reduction in retained business rates funding between 2023 and 2026+. It will be prudent to increase reserves over the medium term to mitigate a sharp reduction in service provision during this anticipated 'trough' in core funding.

15.6 My opinion is given in the knowledge that known short term risks (strategic, operational and financial) are managed and mitigated appropriately in line with the Council's policies and strategies, except for the longer term business rates risk.

16 General Fund Reserve

16.1 The predicted General Fund Reserve position is set out in the main report, and remains above the minimum acceptable level. As the Council progresses through significant organisational change it is appropriate to operationally plan to maintain reserves above this minimum to provide flexibility and resilience. The Council continues to face several significant financial risks as highlighted.

16.2 The level of reserve is adequate however the Council is carrying a very significant risk in terms of the need to reduce expenditure. It is essential that planned cost reductions are delivered and the transformation plans deliver to timetable and target.

17 Earmarked Reserves

17.1 At the end of 2017/18, the Council expects to have in the region of £2.8m in specific earmarked reserves, and the MTFP reflects plans to increase the Business Rates Smoothing Reserve in 2018/19 to reflect the increased budget risk following the 2017 Revaluation. The largest earmarked reserve balances are:

- Business Rates Smoothing Reserve £0.5m, with plans to increase to at least £1.5m by the end of 2018/19.
- Transformation Reserve £0.7m
- Affordable Housing Funding £0.6m

18 Conclusions – Statement of the S151 Officer

Robustness of Budget

18.1 This statement is given only in respect of 2018/19 budget for West Somerset Council. As in previous years a number of factors have been considered in this assessment as outlined above.

18.2 The 2018/19 budget is balanced – reflecting largely the expected increase in business rates funding. This has enabled the Council to offset the funding reduction of £296k from revenue grants in the short term. A review of base budgets has also enabled a prudent reduction in budget requirement, subject to volatility in future service demand and income trends.

18.3 The impact of the 2017 Business Rates revaluation has been significant, with the overall rates to be collected increasing significantly from Hinkley and generally across the business rates base. Equally the tariff payment has increased significantly in line with the Government's aim to mitigate changes to individual authority funding levels as a result of the Revaluation.

18.4 The 2018/19 budget and MTFP reflect the increased estimates of retained business rates funding, however the continuation of funding at this level beyond 2019/20 is uncertain and the risk of further reductions in funding is high. Key influences will be: the Government's next Spending Review and future funding settlements, the Fair Funding Review, the reset of the business rates baseline and tariff, stability in Hinkley B operations and related business rates through to 2023, the impact of moves to 75% / 100% Retention and additional responsibilities that generally follow funding changes.

18.5 The financial viability challenge facing West Somerset Council is not new. The Bill Roots review of 2015, and the transformation business case of 2016 clarified that West Somerset Council is not considered viable going forward unless special measures are implemented. The change in business rates provides short term improvement but does not in my opinion resolve the ongoing viability challenge. The decision taken by both West Somerset and Taunton Deane councils over the summer of 2016 to progress the creation of a new transformed council, and the "minded to" statement from the Secretary of State regarding the proposal to create a new council are key to my statement regarding the 2018/19 budget.

18.6 Even after transformation and the change in business rates the Council faces a budget gap rising to at least £273,000 with, as yet, no current plans in place to address this; and a significant risk to funding in the medium and long term.

The importance of delivering the forecast savings from transformation and optimising the additional benefits from creating a new council are critical in addressing the ongoing viability of services. It is also important to develop plans within the next 6-12 months to mitigate the risk of a major reduction in funding from 2023.

18.7 In conclusion, I am comfortable that the budget estimates for 2018/19 are sufficiently robust. I cannot at this stage provide assurance in the medium to long term for West Somerset as a separate entity due to the scale of risk and uncertainty in funding forecasts beyond the next two years, and will need to review the going concern status again as part of the closedown of the financial year and 2019/20 budget preparation. This is also reflective of the substantial savings the Council has already had to deliver in previous years to remain viable, thus leaving little potential for further service cuts. The creation of a new council will increase resilience to the risks identified.

Adequacy of Reserves – Conclusion

18.8 Having reviewed the level of general and earmarked reserves I am satisfied they are adequate at this stage, and recommend reserves are increased over the medium term to mitigate future disruption to funding between Hinkley B closing and Hinkley C productivity commencing. There is very little scope for future years' budgets to be supported using reserves, with short term protection of only 1-2 years of budget risks in respect of business rates.

Paul Fitzgerald
Assistant Director Strategic Finance and S151 Officer
30 January 2018

Appendix B

Minimum Level of General Reserves

1. BACKGROUND INFORMATION

1.1 It is particularly pertinent when there are significant challenges to councils' budgets and when Central Government funding is falling at an exceptional rate, to consider how this risk is being mitigated and how exposed the Council is to unforeseen events, risks and pressures.

1.2 With this in mind, the s151 Officer requested a review of reserves and for the minimum acceptable level of General Reserves to be challenged to establish whether it is appropriate and to benchmark against other councils to see how we compare and whether we are over exposed to risk.

2. APPROACH AND METHODOLOGY

2.1 Reserves are reviewed by this Council on an annual basis to give assurance that they are appropriate and adequate. Due to the constraints on the Council's budget it is not possible to mitigate against every eventuality and it would be imprudent to set aside funds simply as a percentage of net expenditure or "just in case". With the challenges associated with setting a balanced budget for West Somerset, earmarking reserves is an important exercise and each year a review is done to challenge the levels and intended use of these reserves. In some cases, earmarked reserves are deemed to be no longer required/too high and are returned to general reserves.

2.2 In order to arrive at an appropriate level, various publications were reviewed and the Council was benchmarked against its nearest neighbours in terms of size, demography, NDR value per head etc*:

- LAAP Bulletin 99 Local Authority Reserves and Balances
- CIPFA Stats Nearest Neighbours Model*
- Audit Commission "Striking a Balance" Questionnaire
- CIPFA Delivering Good Governance in Local Government

3. MITIGATING RISK – GENERAL RESERVES

3.1 The CIPFA LAAP Bulletin says "When reviewing their medium term financial plans and preparing their annual budgets, local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes":

- A working balance to help cushion the impact of uneven cashflows and avoid unnecessary temporary borrowing – this forms part of general reserves

- A contingency to cushion the impact of unexpected events or emergencies – this forms part of general reserves
- A means of building up funds to meet known or predicted requirements – via earmarked reserves (legally part of the General Fund)

3.2 As part of the review of the adequacy of the general reserves balance it is prudent to consider the particular risks that the Council faces and how these are mitigated by earmarked reserves and other mechanisms.

3.3 There are a number of general risks which are relevant to all or most councils and for the most part are mitigated with a robust approach to budget setting in the MTFP. These include inflation and interest rates; the timing of capital receipts; demand led pressures; the delivery of efficiency savings; the availability of Government grants and general funding; and the general financial climate. These risks are considered at every stage of the budget setting process and the experience of the s151 and senior finance officers will be fundamental in identifying and addressing the pressures relating to these risks.

3.4 An indicator of the risks particular to the Council is the Risk Register. This captures those risks which need to managed and monitored as they can potentially have a very detrimental effect on the financial or reputational standing of the Council. We have therefore used the Council's risk register as the starting point for the risk matrix.

4. QUANTIFYING THE FINANCIAL RISK

4.1 The risk-based assessment gave a range of appropriate "minimum" general reserves levels as £537k to £775k. With consideration to the ongoing challenges facing the Council it is prudent to recommend that the minimum reserve level be set at £700k.

5. STRIKING A BALANCE QUESTIONNAIRE

5.1 The Audit Commission's questionnaire is a good aide memoire to highlight the areas a Council should consider when assessing the minimum level of reserves. It also draws on benchmarking to establish how other councils mitigate their risks.

6. NEAREST NEIGHBOUR COMPARISON

6.1 A benchmarking exercise with 15 other councils with similar attributes has been undertaken. The nearest neighbour comparison (based upon financial information as at 31 March 2017) indicates that West Somerset's general reserve was £859k which is equivalent to 23.0% of its net revenue expenditure of £3.742m. By comparison, the nearest neighbour average is £2.766m (37.0%) on net revenue expenditure of £7.485m.

7. CONCLUSION AND NEXT STEPS

7.1 The risk assessment and Audit Commission questionnaire are useful tools in establishing West Somerset's minimum level of general reserves. This must be caveated with the assertion that if the Council relies on reserves to address a budget gap, and in particular for ongoing costs it will be immediately exposed to a heightened risk if it does not remain above the minimum level.

7.2 **With reference to the analysis that has been undertaken and with attention to the risks that the Council faces and its limited ability to mitigate risk, a recommendation is made to increase the minimum level of reserves to £700k.**

Report Number: WSC 17/18

West Somerset Council

Full Council – 23 February 2018

Capital Programme 2018/19

This matter is the responsibility of Cabinet Member Mrs Mandy Chilcott

Report Author: Andrew Stark, Interim Financial Services Manager

1 Executive Summary

1.1 The purpose of this report is for Full Council to approve the recommended Capital Programme for 2018/19 including the proposed funding arrangements.

1.2 The Capital Programme only includes essential investment in core IT systems of £26,000 and £350,000 for Disabled Facilities Grants which are funded via contributions from the Better Care Fund.

1.3 The total recommended 2018/19 Capital Programme is £376,000.

2 Recommendations

2.1 Full Council approves the 2018/19 Capital Programme Budget totalling £376,000, funded through a combination of revenue resources and external grant funding.

2.2 Full Council approves that authority be delegated to the S151 Officer to approve adjustments to the 2018/19 Disabled Facilities Grant Capital Budget to reflect the final grant funding received from the Better Care Fund.

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
Assumptions regarding the availability of capital resources are inaccurate, affecting the affordability of the capital programme.	2	4	8
The delivery of asset disposals is actively managed, capital receipts are monitored closely, and expenditure plans are controlled to reflect the actual timing and amount of receipts.	2	4	8
Asset management information is incomplete or inaccurate, resulting in ineffective asset management prioritisation.	3	4	12

The Asset Management Group carefully controls and monitors planned and unplanned works. The council is the process of updating asset condition information to better inform plans in future.	3	4	12

Risk Scoring Matrix

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

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

4 Background and Full details of the Report

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

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

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

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

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

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

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

Table 1 – Draft Capital Programme 2018/19

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

Capital Schemes Explained

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

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

4.8 **Disabled Facilities Grants (Private Sector) £350,000:** The Council has a statutory duty to provide grants to enable the adaptation of homes to help meet the needs of disabled residents. The grants are means-tested and subject to confirmation of the grant to be received from Somerset County Council's Better Care Fund, it is anticipated the Council will receive £350,000, providing the necessary funding to make this scheme affordable.

5 Funding of the Capital Programme

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

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

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

Funding Sources Explained

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

Table 2 – Capital Receipts Reserve

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

5.4 **Grant Funding:** The Council receives capital grant for Disabled Facilities Grant. The confirmed grant for 2018/19 is expected to be £350,000. This funding is allocated via the Better Care Fund (BCF) and it is the responsibility of the commissioners of the fund – the Clinical Commissioning Group (CCG) and Somerset County Council – to decide how the money is allocated. WSC has representation on various groups to try and ensure our interests are protected.

5.5 **Capital Contributions:** This could take the form of capital contributions from other authorities or developers in the form of s.106 funding.

5.6 **Revenue Funding (RCCO):** The Draft Budget for 2018/19 includes a figure of £26,000 in respect of revenue funding towards the capital programme.

5.7 **Borrowing:** This would be in the form of taking out a loan either from the markets or through the PWLB which would incur interest costs chargeable to the revenue budget.

There is also “internal borrowing” which is treated the same as external borrowing for funding purposes, but uses cash flow timing balances rather than taking out a physical loan.

5.8 Supporting new capital expenditure through borrowing (internal or external), adds to the Council’s underlying Capital Financing Requirement (CFR). The current 2017/18 capital budget includes £3,500,000 in respect of a proposed loan to the Somerset Waste Partnership and £2,982,000 in respect of the mixed development proposal at Seaward Way, although these have not yet been reflected in the CFR figures below due to anticipated timing of the expenditure.

5.9 The current and estimated CFR balance for 2017/18 and 2018/19 are summarised in the table below. The Council has used uncommitted capital receipts to fund the repayment of capital borrowing in lieu of MRP, up to 2017/18. This means of funding MRP was not considered necessary for 2018/19 onwards but could be revisited.

Table 3 – Capital Financing Requirement (CFR)

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

6 Links to Corporate Aims / Priorities

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

7 Finance / Resource Implications

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

8 Legal Implications

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

9 Environmental Impact Implications

9.1 None for the purposes of this report.

10 Safeguarding and/or Community Safety Implications

10.1 None for the purposes of this report.

11 Equality and Diversity Implications

11.1 Equalities impacts have been considered. No Equality Impact Assessment (EIA) has been included for Disabled Facilities Grants for 2018/19 as there are no proposed changes. For information Members should refer to the EIA for DFGs provided in the Full Council Report in February 2016.

12 Social Value Implications

12.1 None for the purposes of this report.

13 Partnership Implications

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

14 Health and Wellbeing Implications

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

15 Asset Management Implications

15.1 None for the purposes of this report.

16 Consultation Implications

16.1 None for the purposes of this report.

17 Scrutiny Comments / Recommendation(s)

17.1 During discussion, the following points were raised:-

a) Members requested clarification on the server situation. Concern was raised that there was £20,000 that would be used to purchase a new server when there was spare capacity on the existing server that could be used or a cheaper alternative could be found.
The Members' questions had been passed onto the IT Manager, who understood their concern and if she could find an alternative, she would do so. However, because the funds had already been granted by the Revenue Contributions to Capital Outlay, the money had been secured for the server work and could be used for a capital or revenue solution. The IT Manager would send a response to the questions posed by Members.

b) Members queried whether there was any old IT stock that could be refurbished to last until the new systems had been procured, which should be once Transformation had been achieved. They also requested confirmation on when the server support was due to end, the report stated either 2018 or 2019.
The IT Manager would send a response to the questions posed by Members.

c) Members requested clarification on the ICT Infrastructure Project and Annual Hardware Replacement items on the list.
Items that had been approved in the Capital Programme had to be listed, whether they were ongoing or had not yet started.

d) Members requested an update on the Clanville Grange Housing Project.
Officers did not have information on the project but would send a response to Members after the meeting.

e) Members requested an update on the CASA Project.
There had been a change to the fundamental requirements by the Police. Councillor Chilcott gave an update.

Democratic Path:

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

Reporting Frequency: Annually

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FOR INFORMATION – APPROVED CAPITAL PROGRAMME 2017/18

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

West Somerset Council – Members Briefing Note

Server Refresh Capital Bid – Fiona Kirkham, January 2018

1 Background

A capital bid for £20,000 has been made to West Somerset Council to fund the refresh the core computer servers used to support WSC systems and data. This briefing paper provides responses to questions raised by Members, and also provides further information and detail on the proposal.

2 Information Requested

WSC Members have raised a number of questions regarding this bid, summarised as follows:

- What other options have been considered rather than replacing the existing servers?
  - Are the TDBC servers able to run the latest version of VMWare and would they be able to run the WSC systems?
  - Could WSC rent space from TDBC – either directly or as a cloud-like service?
- What version of VMWare are we moving from and to?
- When does support for the current version of VMWare expire?
- What would the timing of the purchase be? If close to the end of 18/19 then could we wait until the new council is formed?

A further question was raised regarding the PC refresh bid – asking whether there is a stock of unused PCs that could be used.

3 Summary

Before presenting the detailed response, this is a short summary:

- Good practice, as well as our annual PSN audit, requires us to ensure that critical software is supported by suppliers and that security patches and bug fixes are available when needed.
- VMWare provides the platform which allows us to ‘virtualise’ our server fleet, meaning that a small number of relatively powerful physical server devices can run many instances of ‘virtual’ servers for the many business systems. This virtualisation technology is a critical component of our infrastructure.
- The version of VMWare software we are running, underpinning the majority of WSC systems, goes out of support on 19th September this year, and in order to

maintain support we need to upgrade to the latest version (extending support on the current version is possible but prohibitively expensive).

- The WSC servers are now reaching end of life
- We have serious concerns that the new versions of VMWare may not run or be officially supported on the existing servers.
- Before committing to replace the servers we will take action to test whether the latest version of VMWare will run on the existing servers, and can be properly supported. If so we will avoid the need for a refresh this financial year.
- We will also factor in the decision regarding the potential setting up of the new council, which will mean a different approach is taken regarding server refresh, again, seeking to avoid the refresh this year.
- Therefore there is compelling requirement to refresh the server hardware, but there are also strong reasons to delay/seek alternative approaches if at all possible.
- If we have to upgrade we will look at other options before committing to purchase new servers for WSC – including leasing and cloud options.
- We will not spend the budget until we have exhausted the other options and have no choice.
- The TDBC servers have very similar issues to the WSC servers.
- There is no stock of unused PCs available for PC refresh.
- I am happy to provide a further update to members once our investigations in section 4.4 below are complete, at which point we should have more clarity on exactly what action, and budget is required.

4 Detailed Response

4.1 VMWare Support Lifecycle

VMWare publish their lifecycle produce matix on this web site

https://www.vmware.com/content/dam/digitalmarketing/vmware/en/pdf/support/product-lifecycle-matrix.pdf

The specific product we are interested in is their ESXi platform, and the relevant extract from the document is as follows:

VMware Lifecycle Product Matrix

Supported Products, as of February 1, 2018

Dates highlighted in red indicate a product version is within 6 months of End of General Support or End of Technical Guidance.
Dates highlighted in purple indicate a product version has gone past its End of General Support.

PRODUCT RELEASE	GENERAL AVAILABILITY	END OF GENERAL SUPPORT	END OF TECHNICAL GUIDANCE	LIFECYCLE POLICY	END OF AVAILABILITY	NOTES
ESXi 5.0 and 5.1	2011/08/24	2016/08/24	2018/08/24	EIP		
ESXi 5.5	2013/09/19	2018/09/19	2020/09/19	EIP		A, B
ESXi 6.0	2015/03/12	2020/03/12	2022/03/12	EIP		
ESXi 6.5	2016/11/15	2021/11/15	2023/11/15	EIP		A, B

The servers are currently running ESXi 5.5. This goes out of general support on 19th September 2018 – which means that security and bug fix patches will no longer be available. This ending of support therefore exposes us to the following risks:

1. Any bugs discovered in the ESXi system will not be fixed by VMWare – arguably this is a relatively a low risk given the length of time the system has been running, it's stability, and the number of users it has.
2. Any security vulnerabilities discovered in the ESXi system will not receive fixes from VMWare. It is hard to quantify this risk, but the recent Spectre and Meltdown vulnerabilities illustrate that critical vulnerabilities are being found on relatively old and stable systems.
3. PSN Compliance is unlikely to be maintained – one of the key checks made by the PSN IT 'Health Check' is that all critical systems are in current support by the supplier, and version 5.5 will clearly fail this test beyond 19th September.

In order to maintain support, an upgrade to a supported version is required – we have investigated whether it is possible to purchase extended support on v5.5 from VMWare, but the cost is prohibitive.

In my view it is therefore critical that the WSC servers are able to run a supported version of VMWare, and so an upgrade to version 6.5 is proposed.

4.2 Server Status.

Having established the requirement to upgrade our version of the VMWare ESXi, system we would normally simply plan the upgrade project as part of our normal work program.

The physical Dell servers on which the system runs were purchased in 2013 and will be in their 6th year by the time the upgrade is done. The servers are supported by an extended warranty/support contract provided by Dell.

Industry best practice tends to refresh servers by their fifth year – recognising that the newer hardware is far more efficient both in performance and energy usage. The approach adopted by both WSC and TDBC is that we have historically kept servers running for much longer – and at both sites we still run servers much older than this for some non-critical tasks.

In this case however, we are constrained in our options by the compatibility of the newer ESXi versions with older hardware. Whilst we believe the software may run on our older servers, its formal support status is not certain. There is therefore a risk that if we attempt the upgrade it does not run we would have no access to support from VMWare, with the consequence that the server ends up in an un-serviceable state. Given the business critical role played this situation clearly has to be avoided.

Therefore, given the age of the server hardware and the uncertain support status, the requirement to refresh the hardware is very strong. However, it is worth noting that given the volume of other ICT activities being undertaken in the next 12 months, if we can avoid doing the server refresh we will do so. One of the key activities (see below) will be to test whether the new ESXi version does run properly on the existing hardware, thus allowing us to manage the refresh in a more suitable timeframe.

One of the questions was whether the TDBC servers were compatible with the latest version of ESXi. The recent server room move undertaken at Deane House moved existing servers and other hardware to the new facility, and did not replace any kit with new. The TDBC server estate is the one handed over from Southwest One, and comprises 3 servers currently in their 6th year and 1 in its 5th year. A similar capital bid was made to TDBC for refresh as the issues for TDBC are the same as for WSC.

4.3 Options and Timing of Replacement

Many of the questions raised by members concern the timing of the purchase given the proximity to the potential setting up of the new Council – correctly assuming that the provision of ICT will necessarily be very different to the current separate server estates managed at West Somerset House and Deane House, and so questioning whether the refresh could be carried out as part of the wider changes that will be needed.

These assumptions are correct. If the new Council goes ahead then we will wish to avoid refreshing the server estates separately, but instead look at the requirements for a consolidated server estate, including options for external / cloud hosting.

However, if the new Council does not go ahead and we cannot run the new version of ESXi on the existing hardware then it is possible that the only option is to refresh the servers independently, which this bid is intended to enable.

4.4 Planned Activities

Given all of the above, it is important to state that we will seek to avoid spending the budget if at all possible. To that end, before committing to any purchases the following activities will be undertaken:

1. Work with the server support provider to establish support status of current server hardware on ESXi v6.5. If so then we will not proceed with the refresh this financial year.
2. Seek to do a test installation of ESXi v6.5 on one of the servers to establish whether it runs. If so then we can take a risk based decision to postpone the refresh.

3. Develop a combined infrastructure plan to provide a clear approach for server refresh for the potential new council, so avoiding the need to refresh the WSC servers independently.
4. Investigate options for leasing or renting capacity – though short term leases tend to be relatively expensive, and move to an off-site or cloud hosting arrangement is a complex undertaking.

Doing a server refresh is a disruptive activity, consuming ICT resource that is already very busy supporting the wider transformation, and so if possible we would wish to avoid doing the work this year.

4.5 PC Refresh

The PC Refresh budget is required to ensure the desktop and laptop devices remain fit for purpose. Our approach is to refresh them in their 6th year, and then securely dispose of the old kit. We don’t keep a stock of unused devices ready for the refresh as the numbers involved are small enough for us to purchase as needed.

Report Number: WSC 18/18

West Somerset Council

Full Council – 23 February 2018

Council Tax Setting

This matter is the responsibility of Cabinet Member Mrs M Chilcott

Report Author: Andrew Stark, Interim Financial Services Manager

1 **Purpose of the Report**

1.1 The purpose of this report is for Full Council to approve the calculation and setting of the Council Tax for 2018/19.

2 Recommendations

2.1 That Council approve the formal Council Tax Resolution in Appendix A.

2.2 That Council notes that if the formal Council Tax Resolution at Appendix A is approved, the total Band D Council Tax will be:

	2017/18	2018/19	Increase
	£	£	%
West Somerset Council	150.56	155.56	3.32
West Somerset Council - SRA	1.76	1.76	0.00
Somerset County Council	1,069.52	1,103.15	2.99
Somerset County Council – Social Care	42.43	76.17	3.00
Somerset County Council – SRA	12.84	12.84	0.00
Police and Crime Commissioner	181.81	193.81	6.60
Devon & Somerset Fire Authority	81.57	84.01	2.99
Sub-Total	**1,540.49**	**1,627.30**	**5.64**
Town and Parish Council (average)	68.76	71.65	4.20
Total	**1,609.25**	**1,698.95**	**5.57**

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
The key risk is that the Council does not approve the council tax requirement in the correct format.	Possible (3)	Major (4)	Medium (12)
The mitigation for this is that the Council uses the attached CIPFA format to approve the council tax requirement.	Rare (1)	Major (4)	Low (4)

Risk Scoring Matrix

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

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

4 Background and Full details of the Report

4.1 Under changes to the Local Government Finance Act 1992 introduced through the Localism Act 2011, billing authorities are required to calculate a Council Tax Requirement for the year.

Precept Levels

Town and Parish Councils

4.2 The 2018/19 Town and Parish Council Precepts are detailed in Appendix C and total £1,009,356.00. The increase in the average Band D Council Tax for Town and Parish Councils is 4.20% and results in an average Band D Council Tax figure of £71.65 (£68.76 for 2017/18).

Police and Crime Commissioner

4.3 The Police and Crime Commissioner approved its council tax requirement on 1 February 2018. The precept will be £2,730,328.20 which results in a Band D Council Tax of £193.81, an increase of 6.60%. The Precept will be adjusted by a Collection Fund surplus of £42,197. Details of the Council Tax charge can be seen in Appendix B.

Somerset County Council

4.4 The County Council approved its Council Tax requirement on 21 February 2018 and set its precept at £16,795,057.20 which will be adjusted by a Collection Fund surplus of £261,061.00. This is calculated as an increase on base of 2.99% for the general precept and 3.00% for Adult Social Care and results in a total Band D Council Tax of £1,192.16. This figure also includes a precept of £12.84 (1.25%) in respect of the Somerset Rivers Authority which is unchanged from the 2017/18 precept. Details of the Council Tax charge can be seen in Appendix B.

Devon and Somerset Fire and Rescue Service

4.5 The Devon and Somerset Fire and Rescue Authority approved its Council Tax requirement on 16 February 2018 and set its precept at £1,183,526.00; an increase of 2.99%. The Precept will be adjusted by a Collection Fund surplus of £18,932. This results in a Band D Council Tax of £84.01 and details can be found in Appendix B to this report.

West Somerset Council

4.6 Members are being asked to approve a total Council Tax requirement of £2,216,312 for WSC for 2018/19, which equates to a Band D equivalent of £157.32; a total increase of £5.00 for 2018/19. This incorporates an increase of 3.32% in the Band D basic tax rate element and also includes £1.76 in respect of the Somerset Rivers Authority, which is unchanged from 2017/18.

Collection Fund Surpluses and Deficits

4.7 The estimated balance on the Council Tax Collection Fund is forecast on 15th January each year. Any surplus or deficit is shared between the County Council, the Police and Crime Commissioner, the Fire Authority and ourselves, in shares relative to our precept levels.

4.8 The estimated balance on the Council Tax Collection Fund is a surplus of £373,503. West Somerset's share of this amounts to £51,313, and this is reflected in the General Fund revenue estimates.

5 Links to Corporate Aims / Priorities

5.1 None for the purposes of this report.

6 Finance / Resource Implications

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

7 Legal Implications (if any)

7.1 The requirement to set the annual determination is set out in the Local Government Finance Act 1992, as amended by the Localism Act 2011, and this report complies with those requirement.

8 Environmental Impact Implications (if any)

8.1 None for the purposes of this report.

9 Safeguarding and/or Community Safety Implications (if any)

9.1 None for the purposes of this report.

10 Equality and Diversity Implications (if any)

10.1 None for the purposes of this report.

11 Social Value Implications (if any)

11.1 None for the purposes of this report.

12 Partnership Implications (if any)

12.1 None for the purposes of this report.

13 Health and Wellbeing Implications (if any)

13.1 None for the purposes of this report

14 Asset Management Implications (if any)

14.1 None for the purposes of this report.

15 Consultation Implications (if any)

15.1 None for the purposes of this report.

16 Scrutiny Comments / Recommendation(s) (if any)

16.1 None for the purposes of this report.

Democratic Path:

- **Scrutiny – No**
- **Cabinet – No**
- **Full Council – Yes**

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	Council Tax Calculation and Bandings 2018-19
Appendix B	Council Tax Schedule Per Valuation Band 2018-19
Appendix C	Town and Parish Precepts 2018-19

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APPENDIX A

The Council is recommended to resolve as follows:

1. It be noted that the Council calculated the Council Tax Base 2018/19

   (a) for the whole Council area as **14,087.92** [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the Act)] (**the tax base for the whole district**); and

   (b) for dwellings in those parts of its area to which a Parish precept relates as in the attached Appendix C (**the tax base for each parish or town council area**).

2. Calculate that the Council Tax requirement for the Council's own purposes for 2018/19 (excluding Parish precepts) is £2,216,312.

3. That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act:

(a)	£25,686,850	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act; (expenditure, including all precepts issued to it by parish and town councils).
(b)	£22,461,182	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act (income, including government grants, benefits subsidy and adjustments for surpluses on the Collection Fund).
(c)	£3,225,668	being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act; as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act); (expenditure less income).
(d)	£228.97	being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year; (this is an overall average amount of Council Tax, per Band D property including Parish precepts).
(e)	£1,009,356	being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix C).
(f)	£157.32	being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates (the District Council element of the tax for Band D dwellings).

4. To note that the County Council, the Police Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.

5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the table below as the amounts of Council Tax for 2018/19 for each part of its area and for each of the categories of dwellings. The table

excludes parish and town precepts and special expenses.

VALUATION BANDS

WEST SOMERSET COUNCIL

A	B	C	D	E	F	G	H
£104.88	£122.36	£139.84	£157.32	£192.28	£227.24	£262.20	£314.64

SOMERSET COUNTY COUNCIL

A	B	C	D	E	F	G	H
£794.76	£927.24	£1,059.70	£1,192.16	£1,457.08	£1,722.01	£1,986.93	£2,384.32

POLICE AND CRIME COMMISSIONER FOR AVON AND SOMERSET

A	B	C	D	E	F	G	H
£129.21	£150.74	£172.28	£193.81	£236.88	£279.95	£323.02	£387.62

DEVON AND SOMERSET FIRE AND RESCUE SERVICES

A	B	C	D	E	F	G	H
£56.01	£65.34	£74.68	£84.01	£102.68	£121.35	£140.02	£168.02

AGGREGATE OF COUNCIL TAX REQUIREMENTS

A	B	C	D	E	F	G	H
£1,084.86	£1,265.68	£1,446.50	£1,627.30	£1,988.92	£2,350.55	£2,712.17	£3,254.60

APPENDIX B

Valuation Bands

Council Tax Schedule 2018/19	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
West Somerset Council	103.71	120.99	138.28	155.56	190.13	224.70	259.27	311.12
West Somerset Council Rivers Authority	1.17	1.37	1.56	1.76	2.15	2.54	2.93	3.52
Somerset County Council	735.43	858.01	980.58	1,103.15	1,348.29	1,593.44	1,838.58	2,206.30
Somerset County Council (Adult Social Care)	50.78	59.24	67.71	76.17	93.10	110.02	126.95	152.34
Somerset County Council (Somerset Rivers Authority)	8.55	9.99	11.41	12.84	15.69	18.55	21.40	25.68
Police and Crime Commissioner	129.21	150.74	172.28	193.81	236.88	279.95	323.02	387.62
Devon and Somerset Fire and Rescue Authority	56.01	65.34	74.68	84.01	102.68	121.35	140.02	168.02
Totals excluding Parish/Town Precepts	**1,084.86**	**1,265.68**	**1,446.50**	**1,627.30**	**1,988.92**	**2,350.55**	**2,712.17**	**3,254.60**
Average Parish/Town	47.76	55.73	63.69	71.65	87.57	103.49	119.41	143.29
Total including Average Parish/Town Precept	**1,132.62**	**1,321.41**	**1,510.19**	**1,698.95**	**2,076.49**	**2,454.04**	**2,831.58**	**3,397.89**
Parish:								
Bicknoller Parish Council	1,096.21	1,278.92	1,461.63	1,644.32	2,009.72	2,375.13	2,740.54	3,288.64
Brompton Ralph Parish Council	1,113.53	1,299.13	1,484.73	1,670.31	2,041.49	2,412.68	2,783.86	3,340.62
Brompton Regis Parish Council	1,102.18	1,285.89	1,469.59	1,653.28	2,020.67	2,388.08	2,755.47	3,306.56
Brushford Parish Council	1,123.79	1,311.10	1,498.41	1,685.70	2,060.30	2,434.91	2,809.50	3,371.40
Carhampton Parish Council	1,120.95	1,307.78	1,494.62	1,681.43	2,055.08	2,428.74	2,802.39	3,362.86
Clatworthy Parish Council	1,105.34	1,289.57	1,473.81	1,658.02	2,026.47	2,394.92	2,763.37	3,316.04
Crowcombe Parish Council	1,112.07	1,297.42	1,482.78	1,668.11	2,038.80	2,409.50	2,780.19	3,336.22
Cutcombe Parish Council	1,135.23	1,324.44	1,513.66	1,702.85	2,081.26	2,459.68	2,838.09	3,405.70
Dulverton Town Council	1,161.45	1,355.04	1,548.62	1,742.19	2,129.34	2,516.50	2,903.65	3,484.38
Dunster Parish Council	1,121.71	1,308.67	1,495.63	1,682.57	2,056.47	2,430.38	2,804.29	3,365.14
East Quantoxhead Parish Council	1,084.86	1,265.68	1,446.50	1,627.30	1,988.92	2,350.55	2,712.17	3,254.60
Elworthy Parish Council	1,084.86	1,265.68	1,446.50	1,627.30	1,988.92	2,350.55	2,712.17	3,254.60
Exford Parish Council	1,122.45	1,309.53	1,496.62	1,683.68	2,057.83	2,431.99	2,806.14	3,367.36
Exmoor Parish Council	1,104.36	1,288.43	1,472.50	1,656.55	2,024.67	2,392.80	2,760.92	3,313.10
Exton Parish Council	1,107.41	1,291.98	1,476.56	1,661.12	2,030.26	2,399.40	2,768.54	3,322.24
Holford Parish Council	1,117.88	1,304.20	1,490.53	1,676.83	2,049.46	2,422.09	2,794.72	3,353.66
Huish Champflower Parish Council	1,104.43	1,288.51	1,472.59	1,656.65	2,024.79	2,392.94	2,761.09	3,313.30
Kilve Parish Council	1,104.41	1,288.48	1,472.56	1,656.62	2,024.76	2,392.90	2,761.04	3,313.24
Luccombe Parish Council	1,112.07	1,297.43	1,482.78	1,668.12	2,038.81	2,409.51	2,780.20	3,336.24
Luxborough Parish Council	1,098.43	1,281.51	1,464.59	1,647.65	2,013.79	2,379.94	2,746.09	3,295.30
Minehead Town Council	1,140.45	1,330.54	1,520.62	1,710.69	2,090.84	2,471.00	2,851.15	3,421.38
Monksilver Parish Council	1,095.01	1,277.52	1,460.03	1,642.52	2,007.52	2,372.53	2,737.54	3,285.04
Nettlecombe Parish Council	1,101.49	1,285.09	1,468.68	1,652.25	2,019.41	2,386.59	2,753.75	3,304.50
Oare Parish Council	1,084.86	1,265.68	1,446.50	1,627.30	1,988.92	2,350.55	2,712.17	3,254.60
Old Cleeve Parish Council	1,105.08	1,289.27	1,473.46	1,657.63	2,025.99	2,394.36	2,762.72	3,315.26
Porlock Parish Council	1,147.37	1,338.61	1,529.85	1,721.07	2,103.53	2,486.00	2,868.45	3,442.14
Sampford Brett Parish Council	1,095.32	1,277.88	1,460.45	1,642.99	2,008.10	2,373.21	2,738.32	3,285.98
Selworthy and Minehead Without Parish Council	1,119.02	1,305.53	1,492.05	1,678.54	2,051.55	2,424.56	2,797.57	3,357.08
Skilgate Parish Council	1,084.86	1,265.68	1,446.50	1,627.30	1,988.92	2,350.55	2,712.17	3,254.60
Stogumber Parish Council	1,123.83	1,311.14	1,498.46	1,685.75	2,060.36	2,434.98	2,809.59	3,371.50
Stogursey Parish Council	1,116.61	1,302.72	1,488.83	1,674.92	2,047.12	2,419.33	2,791.54	3,349.84
Stringston Parish Council	1,084.86	1,265.68	1,446.50	1,627.30	1,988.92	2,350.55	2,712.17	3,254.60
Timberscombe Parish Council	1,116.53	1,302.62	1,488.72	1,674.80	2,046.98	2,419.16	2,791.34	3,349.60
Treborough Parish Council	1,084.86	1,265.68	1,446.50	1,627.30	1,988.92	2,350.55	2,712.17	3,254.60
Upton Parish Council	1,101.19	1,284.74	1,468.28	1,651.80	2,018.86	2,385.94	2,753.00	3,303.60
Watchet Town Council	1,181.25	1,378.13	1,575.02	1,771.88	2,165.63	2,559.39	2,953.14	3,543.76
West Quantoxhead Parish Council	1,094.82	1,277.30	1,459.78	1,642.24	2,007.18	2,372.13	2,737.07	3,284.48
Williton Parish Council	1,152.28	1,344.34	1,536.39	1,728.43	2,112.52	2,496.63	2,880.72	3,456.86
Winsford Parish Council	1,097.72	1,280.68	1,463.65	1,646.59	2,012.50	2,378.41	2,744.32	3,293.18
Withycombe Parish Council	1,125.72	1,313.34	1,500.98	1,688.59	2,063.83	2,439.08	2,814.32	3,377.18
Withypool and Hawkridge Parish Council	1,100.37	1,283.77	1,467.18	1,650.56	2,017.35	2,384.15	2,750.94	3,301.12
Wootton Courtenay Parish Council	1,098.60	1,281.71	1,464.82	1,647.91	2,014.11	2,380.32	2,746.52	3,295.82

APPENDIX C

TOWN AND PARISH COUNCIL PRECEPTS

Parish/Town Council	2017/18 Tax Base	2017/18 Precept Levied £	2017/18 Council Tax Band D £	2018/19 Tax Base	2018/19 Precept Levied £	2018/19 Council Tax Band D £	Council Tax Increase
Bicknoller Parish Council	213.66	3,675	17.20	215.90	3,675	17.02	-1.04%
Brompton Ralph Parish Council	99.61	4,250	42.67	98.81	4,250	43.01	0.81%
Brompton Regis Parish Council	222.67	5,750	25.82	221.34	5,750	25.98	0.60%
Brushford Parish Council	233.53	11,000	47.10	239.71	14,000	58.40	23.99%
Carhampton Parish Council	352.54	17,500	49.64	371.78	20,125	54.13	9.05%
Clatworthy Parish Council	41.73	1,000	23.96	40.69	1,250	30.72	28.19%
Crowcombe Parish Council	237.75	9,240	38.86	238.92	9,750	40.81	5.00%
Cutcombe Parish Council	187.04	10,364	55.41	184.56	13,944	75.55	36.35%
Dulverton Town Council	636.51	65,947	103.61	638.28	73,330	114.89	10.89%
Dunster Parish Council	456.14	27,000	59.19	488.52	27,000	55.27	-6.63%
East Quantoxhead Parish Council	43.53	-	-	43.33	-	0.00	0.00%
Elworthy Parish Council	31.57	-	-	33.93	-	0.00	0.00%
Exford Parish Council	199.56	10,830	54.27	196.88	11,100	56.38	3.89%
Exmoor Parish Council	69.75	2,035	29.18	69.57	2,035	29.25	0.26%
Exton Parish Council	96.95	3,200	33.01	96.51	3,264	33.82	2.47%
Holford Parish Council	132.98	5,400	40.61	131.23	6,500	49.53	21.98%
Huish Champflower Parish Council	119.75	3,250	27.14	119.25	3,500	29.35	8.14%
Kilve Parish Council	191.76	5,500	28.68	187.56	5,500	29.32	2.24%
Luccombe Parish Council	70.89	2,750	38.79	73.49	3,000	40.82	5.23%
Luxborough Parish Council	97.29	1,799	18.49	97.17	1,977	20.35	10.06%
Minehead Town Council	4241.80	341,150	80.43	4,295.65	358,208	83.39	3.68%
Monksilver Parish Council	62.75	950	15.14	62.40	950	15.22	0.56%
Nettlecombe Parish Council	95.08	2,300	24.19	92.18	2,300	24.95	3.15%
Oare Parish Council	34.50	-	-	38.77	-	0.00	0.00%
Old Cleeve Parish Council	678.21	14,000	20.64	692.43	21,000	30.33	46.92%
Porlock Parish Council	707.35	65,000	91.89	703.88	66,000	93.77	2.04%
Sampford Brett Parish Council	141.42	2,200	15.56	140.21	2,200	15.69	0.86%
Selworthy and Minehead Without Parish Council	234.79	12,240	52.13	238.87	12,240	51.24	-1.71%
Skilgate Parish Council	49.56	-	-	49.53	-	0.00	0.00%
Stogumber Parish Council	318.03	19,000	59.74	325.08	19,000	58.45	-2.17%
Stogursey Parish Council	485.07	22,500	46.39	493.52	23,500	47.62	2.66%
Stringston Parish Council	47.47	-	-	45.34	-	0.00	0.00%
Timberscombe Parish Council	161.41	7,500	46.47	162.33	7,710	47.50	2.22%
Treborough Parish Council	28.98	-	-	28.73	-	0.00	0.00%
Upton Parish Council	83.03	2,046	24.64	83.50	2,046	24.50	-0.56%
Watchet Town Council	1139.50	164,749	144.58	1,201.30	173,684	144.58	0.00%
West Quantoxhead Parish Council	161.68	2,532	15.66	165.53	2,473	14.94	-4.59%
Williton Parish Council	880.84	91,000	103.31	899.87	91,000	101.13	-2.11%
Winsford Parish Council	163.81	3,103	18.94	165.90	3,200	19.29	1.84%
Withycombe Parish Council	119.84	6,500	54.24	123.11	7,545	61.29	12.99%
Withypool and Hawkridge Parish Council	123.07	2,850	23.16	122.53	2,850	23.26	0.44%
Wootton Courtenay Parish Council	167.01	3,000	17.96	169.83	3,500	20.61	14.73%
Totals	13860.41	953,109	68.76	14,087.92	1,009,356	71.65	4.19%