

SWT Scrutiny Committee

Wednesday, 27th January, 2021,
6.15 pm

The logo for Somerset West and Taunton, featuring the text "Somerset West and Taunton" in white on a teal background with a white swoosh.

[SWT VIRTUAL MEETING WEBCAST LINK](#)

Members: Gwil Wren (Chair), Libby Lisgo (Vice-Chair), Ian Aldridge, Sue Buller, Norman Cavill, Simon Coles, Dixie Darch, Habib Farbahi, Ed Firmin, Dave Mansell, Derek Perry, Phil Stone, Ray Tully, Nick Thwaites and Keith Wheatley

Agenda

1. Apologies

To receive any apologies for absence.

2. Minutes of the previous meetings of the Scrutiny Committee held on 2 December 2020 and 6 January 2021.

To approve the minutes of the previous meeting of the Committee held on 2 December 2020 and 6 January 2021.

(Pages 5 - 22)

3. Declarations of Interest

To receive and note any declarations of disclosable pecuniary or prejudicial or personal interests in respect of any matters included on the agenda for consideration at this meeting.

(The personal interests of Councillors and Clerks of Somerset County Council, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes.)

4. Public Participation

The Chair 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 who have submitted any questions or statements, please note, a three minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue.

Temporary measures during the Coronavirus Pandemic

Due to the Government guidance on measures to reduce the transmission of coronavirus (COVID-19), we will holding meetings in a virtual manner which will be live webcast on our website. Members of the public will still be able to register to speak and ask questions, which will then be read out by the Governance and Democracy Case Manager during Public Question Time and will either be answered by the Chair of the Committee, or the relevant Portfolio Holder, or be followed up with a written response.

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| 5. Scrutiny Committee Forward Plan
To receive items and review the Forward Plan. | (Pages 23 - 24) |
| 6. Full Council Forward Plan | (Pages 25 - 26) |
| 7. Executive Forward Plan | (Pages 27 - 28) |
| 8. HRA Revenue and Capital budget setting 21/22, including Dwelling Rent setting 21/22 and 30 year Business Plan Review | (Pages 29 - 88) |
| 9. Draft General Fund Revenue Budget and Capital Programme 2021/22 | (Pages 89 - 112) |



JAMES HASSETT
CHIEF EXECUTIVE

Please note that this meeting will be recorded. You should be aware that the Council is a Data Controller under the Data Protection Act 2018. Data collected during the recording will be retained in accordance with the Council's policy. Therefore unless you are advised otherwise, by taking part in the Council Meeting during Public Participation you are consenting to being recorded and to the possible use of the sound recording for access via the website or for training purposes. If you have any queries regarding this please contact the officer as detailed above.

Following Government guidance on measures to reduce the transmission of coronavirus (COVID-19), we will be live webcasting our committee meetings and you are welcome to view and listen to the discussion. The link to each webcast will be available on the meeting webpage, but you can also access them on the [Somerset West and Taunton webcasting](#) website.

If you would like to ask a question or speak at a meeting, you will need to submit your request to a member of the Governance Team in advance of the meeting. You can request to speak at a Council meeting by emailing your full name, the agenda item and your question to the Governance Team using governance@somersetwestandtaunton.gov.uk

Any requests need to be received by 4pm on the day that provides 2 clear working days before the meeting (excluding the day of the meeting itself). For example, if the meeting is due to take place on a Tuesday, requests need to be received by 4pm on the Thursday prior to the meeting.

The Governance and Democracy Case Manager will take the details of your question or speech and will distribute them to the Committee prior to the meeting. The Chair will then invite you to speak at the beginning of the meeting under the agenda item Public Question Time, but speaking is limited to three minutes per person in an overall period of 15 minutes and you can only speak to the Committee once. If there are a group of people attending to speak about a particular item then a representative should be chosen to speak on behalf of the group.

Please see below for Temporary Measures during Coronavirus Pandemic and the changes we are making to public participation:-

Due to the Government guidance on measures to reduce the transmission of coronavirus (COVID-19), we will holding meetings in a virtual manner which will be live webcast on our website. Members of the public will still be able to register to speak and ask questions, which will then be read out by the Governance and Democracy Case Manager during Public Question Time and will be answered by the Portfolio Holder or followed up with a written response.

Full Council, Executive, and Committee agendas, reports and minutes are available on our website: www.somersetwestandtaunton.gov.uk

For further information about the meeting, please contact the Governance and Democracy Team via email: governance@somersetwestandtaunton.gov.uk

If you would like an agenda, a report or the minutes of a meeting translated into another language or into Braille, large print, audio tape or CD, please email: governance@somersetwestandtaunton.gov.uk

SWT Scrutiny Committee - 2 December 2020

Present: Councillor Gwil Wren (Chair)

Councillors Libby Lisgo, Ian Aldridge, Norman Cavill, Simon Coles, Dixie Darch, Habib Farbahi, Ed Firmin, Dave Mansell, Derek Perry, Phil Stone, Nick Thwaites, Keith Wheatley, Ray Tully (In place of Danny Wedderkopp) and Sue Buller

Officers: Paul Fitzgerald, Marcus Prouse, Dawn Adey, James Barrah, Paul Browning, Nick Bryant, Richard Burge, Emily Collacott, Chris Hall, Alison North, Malcolm Riches and Scott Weetch

Also Present: Councillors Chris Booth, Roger Habgood, John Hassall, Ross Henley, Marcus Kravis, Janet Lloyd, Peter Pilkington, Mike Rigby, Francesca Smith, Vivienne Stock-Williams, Andrew Sully, Sarah Wakefield, Alan Wedderkopp, Brenda Weston and Loretta Whetlor

(The meeting commenced at 6.15 pm)

95. Apologies

Apologies were received from Councillors Hunt, and D Wedderkopp.

Councillors Buller and Tully attended as substitutes.

96. Minutes of the previous meeting of the Scrutiny Committee held on 14 October, 4 November and 11 November 2020

(Minutes of the meeting of the Scrutiny Committee held on 14 October, 4 November and 11 November circulated with the agenda)

Resolved that the minutes of the Scrutiny Committee held on 14 October, 4 November and 11 November be confirmed as a correct record following two minor amendments to the minutes of 14th October.

97. Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description of Interest	Reason	Action Taken
Cllr N Cavill	All Items	West Monkton	Personal	Spoke and Voted
Cllr S Coles	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr J Hunt	All Items	SCC & Bishop's	Personal	Spoke and Voted

		Hull		
Cllr L Lisgo	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr D Perry	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr R Tully	All Items	West Monkton	Personal	Spoke and Voted

Councillor Lisgo declared an interest as a trustee of North Taunton Partnership.

98. **Public Participation**

The following letter was submitted in respect of Item 7 on the Agenda

Dear Councillor Wren

I have been asked by a group of local businesses, all involved with the development and construction industry in the district, to write to Somerset West and Taunton Council to register their concerns over the action the Council have recently taken regarding the non-determination of planning applications.

We have been advised by your officers, that following a notice from Natural England regarding elevated phosphate levels in the watercourses of the Somerset levels, that planning applications relating to residential and commercial development will for the foreseeable future, not be determined.

This notice was issued with no consultation or any lead in period to allow developers, architects or planning consultants to make contingency plans or make representations before the planning system was effectively closed down.

Within a period of six weeks of planning “lock down” so far, we are feeling the effect of this action, with a number businesses already having to make staff redundant and make enforced pay cuts. We are all having to deal with the challenges that BREXIT and COVID has created, however, this issue is and will continue to have a direct and significant effect on our local economy and local businesses. We are at the front end of this situation, but very soon the consultants, the sub-contractors and suppliers we use, will also feel the effect. There are a significant number of small builders who may be unaware of this situation, who will also soon see their workload dry up as their clients planning applications do not get processed. This will, very quickly affect many hundreds, if not thousands of local jobs.

Having undertaken some research in to the issue of rising phosphate concentrations in the Somerset levels, it appears that this issue has been known about for many years and Somerset West and Taunton Council were made aware of this earlier in the year. Which begs the question, why has the door closed immediately on determining planning applications. Looking at Wessex Water’s five year plan, in their Green Prospectus, they have been planning and are now putting in measures to improve the quality of water leaving their sewerage treatment works. Why is it, Wessex Water apparently have years to address this issue, though the planning system is shut down overnight. We had no prior warning, consultation, nor time given for architects, agents or developers

to consult, discuss options and possibly implement improvement measures to improve the current and future quality of the water in the Somerset levels. If Wessex Water, Natural England and the Environment Agency had been consulted during the making of the Local Plan, one would have expected that they should have planned for the growth in housing and jobs in the area. If not, then should they not have raised this issue and their concerns at the growth of housing within the county, at that time?

We also understand that, whilst in theory, if mitigation measures are the way forward e.g. on-site package treatment plants, nutrient neutrality assessments, etc. We understand that Natural England have decided that some options are not acceptable. How are we supposed to overcome this issue? The more strategic and wider mitigation plans, that we have been informed are being considered, are going to take a considerable period of time, months if not years to implement, leaving us with no solution to this immediate issue.

The local development and construction industry are reliant on the construction of homes and commercial and public property, we cannot readily look beyond the county in which we operate. It takes months if not years to find development land, negotiate legal agreements and submit planning applications and then many more months/years to secure a planning permission. The larger regional and national developers have the ability, to switch their resources to other regions. Unfortunately, we do not have that ability.

Whilst the Somerset levels are important to us all, so too are the thousands of jobs and livelihoods relying on construction and development in the county. We urge you to immediately review your stance on the determination of planning applications (whether full, S73, or RMA), the discharge of conditions, signing section 106 agreements and also the mitigation measures that can be employed to reduce the impact of phosphates in the Ramsar catchment area.

We would welcome the opportunity to discuss this situation with the appropriate parties to find solutions to enable the development and construction industry to continue working in Somerset.

Yours Sincerely

Mark Thomas, Acorn Developments Ltd., Chris Winter, Cherwyn Developments Ltd.,

Colin Graves, Gadd Properties Ltd., GTH Land and Planning,

Andy Lehner, Otter Construction Ltd., Jonathan Scanlan, Reed Holland Architects,

Ed Khodabandehloo, Summerfield Developments Ltd., Andy Lehner, West of England Developments Ltd.,

Robin Upton, WYG

Lori Busch, Charity Manager of the Mankind initiative made the following submission in respect of item 12 on the agenda.

Please note the response below to my email earlier today at 3:41am stating that I had only just found out about the future of the historic building Flook House being on the agenda for tonight through an article in the Somerset County Gazette.

I wish to put on record my formal complaint about the response as well as the fact that we have not had the opportunity to make formal representations or speak at the scrutiny panel meeting tonight. This makes myself personally and the members, employees and trustees of charity feel that we have been disenfranchised from democratic process.

There is a public expectation that those impacted will be involved in the process however it appears that this has been pushed through during lockdown with no public scrutiny or tenant involvement.

Flook House is also mentioned in historical documents stating that John Trenchard MP resided there during the election of 1715 and was the site of many weddings, and registrations of births and deaths while it was the registry office.

It therefore beggars belief that this council is happy to wilfully let historic buildings fall into disrepair through lack of maintenance and then vote to demolish them, removing yet another part of Taunton's history.

99. **Scrutiny Committee Forward Plan**

(Copy of the Scrutiny Committee Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

Resolved that the Scrutiny Committee Forward Plan be noted.

100. **Executive and Full Council Forward Plan**

(Copy of the Executive and Full Council Forward Plans, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

Resolved that the Executive and Full Council Forward Plans be noted.

101. **Update on addressing Phosphate levels**

The Assistant Director for Planning Policy presented an update on addressing phosphate levels and the impact on the construction industry in the area as a result of recent developments.

During the debate the following comments and questions were raised.

- The risk of refusing certain planning permission and reasoning around this would be liable to be appealed. If successful on appeal costs would be incurred. It was determined that there was less risk around this due to the precedent of other appeal decisions in Mendip around phosphates.

- A letter from Natural England has meant would require inspectors requiring the evidence to conclude the development could go ahead.
- Interim solutions potentially included offsetting phosphates. Waste water treatment works were the main factor around this. Some developers were looking at approaches to offset the impacts.
- There were arguments around evaluating the interim solutions.
- Wessex Water plans focused around new infrastructure and offsetting. A market for phosphate offsetting was being considered alongside plans for improvements to treatment works. It was unknown which treatment works would be prioritised in which locations.
- Existing allocations in agricultural land and moving into public ownership was an opportunity to address this. Notifying new planning applicants was emphasised. All applications within the catchment area should be picked up.
- It was questioned if there was a target level of phosphate. Achieving neutrality on new developments was the ambition, in Ramsar sites the aim was to bring them back to a favourable position.
- It was Understood that Kent and Hampshire were setting land aside as mitigation. Wessex Water in conjunction with Bath University were working on algae which could reduce levels. Further solutions were also being explored.
- It was questioned why Wessex Water hadn't been invited at this meeting. Further details of Mitigation measures were requested in addition to when Wessex Water began to address phosphate levels.
- Further information was requested on how could buying "up land" unless it is already contributing to phosphates solve the problem?
- Attention of activity at Ham SWT which extract phosphates, many tankers used alongside a new road. The committee were of the view that there was a need to focus on agriculture.
- It was questioned what the role of the Somerset Rivers Authority (SRA)?
- Further information was requested around refusing applications and how would it work? The agricultural split was questioned including if 35% could be broken down?
- The Scrutiny Committee requested that the Executive consider the huge impact on our SME's and request they expedite, whilst working with officers and the consultants, the short term solutions for treatment requirement and mitigation measures to provide certainty to our local construction industries.'

The Scrutiny Committee noted the update

102. **Corporate Performance Report - Quarter 2, 2020/21**

The report provided an update on the council's performance for the first 6 months (April – September) of the 2020/21 financial year. The report included information for a range of key performance indicators and also provided an update on progress against the council's annual plan commitments for the year.

As part of the Councils commitment to transparency and accountability the report provided an update on performance for a number of key indicators across a range of council services and also provided progress monitoring for the implementation of the Corporate Strategy, and the delivery of the commitments made in the 2020/21 Annual Plan.

Impact of Covid-19

There had been a continued impact on the work of the Council as a direct result of the Covid-19 pandemic. The last corporate performance report provided a more detailed update on the specific additional work undertaken by the council between April and July. Many of these tasks had continued and the pandemic still had a significant impact on the council's activity and workload. In addition, there had been further new requirements placed on the council during August and September, such as implementing the grants for people who need to self-isolate having been contacted by Track and Trace.

Key Performance Indicators

The table in Appendix 1 set out the councils Key Performance Indicators and detailed how the council had performed for the first 6 months of the 2020/21 financial year. The table also included a "direction of travel" arrow to show whether performance had improved, worsened or stayed the same, since the last corporate performance report which was for the end of July.

For the majority of indicators the target had either been met or in many cases, been exceeded. The direction of travel showed that for many indicators performance had remained at a similar level to that at the end of July. However, there were several indicators where performance had got worse, but in all cases, the fall was slight and the target was still being met. Close monitoring of these indicators over future months would be undertaken to ensure appropriate action is taken where required. For the 2 indicators where performance is significantly below target, and the indicator is rated "Red", commentary was provided below:

Number of complaints responded to in 10 working days

Further to the analysis undertaken over the summer, a review into the Complaints process was underway. A number of process improvements have been identified and are in the process of being implemented. The review has identified a bottleneck within the process. The process is being changed to remove this bottleneck and to move to a process where complaints are investigated and responded to within the individual services rather than issuing all responses through the Complaints Manager. This will also allow the complaints manager to spend more time analysing complaint trends, working with teams to target improvements based on this intelligence and supporting Case Managers through training and workshops.

In addition the Customer Services team are working with the Business Analysts to develop the existing computer system (Firmstep) process so these changes can be implemented. Training for staff who respond to complaints and workshops on best practice will be developed over the coming weeks and months. To enable these changes additional resources have been temporarily assigned to the complaints team.

Number of FOI requests responded to in 20 working days

As reported previously, a dedicated case manager was recruited last autumn to manage the FOI process, and a new process for submitting FOI requests has been implemented. This had led to significant improvements in performance but the Covid crisis and the need to divert resource to urgent additional activities has clearly impacted on our ability to respond to FOI requests.

However, we have reviewed the process for FOIs and are in the process of reconfiguring the system used to manage FOI's (Firmstep) to reflect the shape of the Remodelled organisation. This work has been delayed due to Covid but has now been assigned to a project team and is underway.

The Annual Plan contained 28 specific commitments that the Council has said it will deliver in 2020/21. The graphic below provides a summary of progress as at the end of September for each of these commitments, split by the 4 themes of the Corporate Strategy. Each commitment has been rated as either Red, Amber or Green to indicate whether it is likely to be achieved.

During the debate the following comments and questions were raised:-

- Appendix 1 performance ratings were questioned around Planning performance, the reasons were requested, it was considered if there was a lack of officers in the Planning Department.
- Vacant areas in The Deane House second floor was queried.
- Reviewing assets and creating revenue was encouraged.
- Answers would be provided following the meeting. A future update was requested in the areas of Asset Management and Planning.
- The definition of complaints followed the definition from the ombudsmen
- This definition was the expression of dissatisfaction of a service delivered by the organisation. Councillor Casework was included as a complaint where deemed appropriate if it had been raised as a complaint. Guidance to Councillors in how this was approached was encouraged.
- A two stage complaints process would be a consideration of the complaint followed by an appeal if the decision or response didn't satisfy the complainant.
- Officer time and capacity spent on addressing complaints were considered, the reduction of complaints as a result was questioned.
- Planning applications determined and extension time was considered, a further breakdown and context of figures was requested. The benchmark used was requested, if it was the national or otherwise.
- Improving business process reengineering and managing of assets was considered. Disposing of costly assets were encouraged.

Resolved:- The Scrutiny Committee noted the report

103. **2020/21 Financial Monitoring as at Quarter 2 (30 September 2020)**

This report provides an update on the projected outturn financial position of the Council for the financial year 2020/21 (as at 30 September 2020).

The position this year was significantly affected by COVID – both in terms of large additional sums spent on issuing financial assistance to local businesses and council tax payers, and direct impact on the Council's service costs and income. Financial pressures are reported, which is partly offset by emergency grant funding from Government but has also required the Council to reprioritise funds and support the annual budget from reserves. Despite this, the Council remains financially resilient and continues to forecast adequate reserve balances.

The current forecast was summarised:

General Fund Revenue Projected £551k overspend (£625k relating to COVID and an underspend of £74k for non-COVID) Housing Revenue Account Projected £140k overspend

This report provided the Council's forecast end of year financial position for revenue and capital expenditure as at 30 September 2020 for the Council's General Fund (GF) and Housing Revenue Account (HRA).

The regular monitoring of financial information is a key element in the Council's Performance Management Framework. Crucially it enables remedial action to be taken in response to significant budget variances, some of which may be unavoidable. It also provides the opportunity to assess any consequent impact on reserves and the Council's Medium Term Financial Plan.

Members will be aware from previous experience that the position can change between 'in-year' projections and the final outturn position, mainly due to demand-led service costs and income levels. The budget monitoring process involves a detailed review of the more volatile budgets and a proportionate review of low risk/low volatility budget areas. Budget Holders, with support and advice from their accountants, update their forecasts on a monthly basis based on currently available information and knowledge of service requirements for the remainder of the year. As with any forecast there is always a risk that some unforeseen changes could influence the position at the year-end, and a number of risks and uncertainties are highlighted within this report. However, the following forecast is considered to be reasonable based on current information.

Budgets have now all been allocated out to the relevant Directors.

General Fund Revenue Budget – 2020/21 Forecast Outturn

The Council was forecasting an overall net overspend of £551k (2.6% of £21m Net Budget), as summarised below. The main reasons for this are due to pressures relating to COVID additional cost and income reductions accounting for £625k of the overspend. A recommendation to Full Council was included in the Month 4 forecast report to approve a supplementary estimate of £657k from General Reserves for COVID related pressures. This is due to be considered by Council on 15 December 2020.

During the debate the following comments and questions were made:-

- HRA debt was questioned. This was currently around £100 million and was serviced in some instances by internal borrowing
- Would external borrowing be required to service the levels of debt.
- Clarification was requested on the £249k funding for Unitary and if this had been spent. This would be provided to the committee as an update.
- A mixture of borrowing and capital right to buy receipts covered
- Additional borrowing capacity enabled shocks
- External treasury advisors were worked with to ensure all activities were safe
- The age of the housing stock varied in age but the profile of the housing stock could be provided, the majority was post war.
- Leisure operator approval was an assumption that SLM would receive a loan, this was not required so would be remove from future reports.
- It was considered if Covid-19 losses would be absorbed with General Reserves. It was questioned if an increase in welfare funerals would be included as part of the Covid-19 costs. It was a general increase which couldn't identify Covid-19 as being responsible.
- Income loss compensation arrangements meant 70% cover in reduction from sales fees and charges which included loss of parking revenue, therefore 30% would need to be covered.

- Was there specific central government recompense for the car parking income and addressing the vulnerability of the budget in the reliance on parking income? Assumptions were being made against future budgeting for the next financial year along with scale of reserves to address volatility and further reductions in income.
- It was requested for a car parking strategy to be provided along with income and usage numbers to be supplied quarterly.
- Alternatives for the use of car parks which were underutilised due to the reductions in travel were requested.
- Further information on the future use of assets alongside income modelling was requested.

The Scrutiny Committee noted the Council's forecast financial performance and projected reserves position for 2020/21 financial year as at 30 September 2020.

104. **Review of Voluntary and Community Sector Grants**

On 19th February 2020, the Localities Manager brought forward a report to Full Council outlining the Voluntary and Community Sector (VCS) Grants Annual Review for 2019/20. This is a comprehensive report and no attempt is made to replicate it here.

A link to the copy of that report was provided

Full Council resolved “that officers, in consultation with Councillors, carried out a review of current areas of funding and set new funding objectives in line with the Councils corporate objectives and current needs within the community and reported to the Scrutiny Committee, Executive and Full Council in September/October 2020;”

Initial work towards the review outlined above took the form of a workshop of officers who set a number of criteria that they felt VCS funding should meet. These included but were not limited to:

- Money and debt advice
- Housing advice and tenancy sustainment
- Mental health support and advocacy
- Social enterprise, skills and training support in deprived areas
- General information, advice and guidance
- Support for rural areas
- Support for families
- Advice for Community buildings and village halls
- Community transport

From March onwards the country had seen the effects of the global pandemic known as COVID-19. This has had a profound effect on the voluntary and community sector in two ways. Firstly, this sector had been at the forefront of efforts to look after the wider community in often unexpected ways. There were countless examples of communities and individuals stepping forward to provide help and support. Secondly, this sector had been unable to raise funds for themselves in their normal fashion and were therefore vulnerable themselves to the effects of the coronavirus, albeit economically.

The priorities set out in the report came from a workshop to act as a guide for decision making regarding 20/21 funding of the VCS. In light of the interruption and disruption caused by COVID, the aim of this review was to demonstrate if the Council is meeting these priorities and in which locations to identify any gaps by priority or geographic area.

The original report recommended aligning funding with Corporate Objectives and current needs within the community. Corporate Objectives and the current needs within the community as espoused by the Voluntary and Community Sector are aligned – in particular, this work supported tackling economic, social and health inequalities within the groups and communities that need extra support. It was felt that employment and skills were generally picked up elsewhere and so were not fully reflected.

This commentary formed part of the review of Voluntary and Community Sector Grants taken to Full Council in February 2020. Other issues recommended in the review referred to the Governance of the schemes, in particular clarity of outputs, outcomes and performance measures submitted by partner organisations. Further to that the grant proposal document included information captured on sustainability of projects, match funding and added value. This has been picked up as a business as usual improvement. Grants forms are continually reviewed and improved and work is in progress to try to align the application process to ensure that applicants have a clear and obvious process which signposts them to the right funding for their project. Additionally, each scheme is subject to grants monitoring, usually on a quarterly basis. These meetings often identify and implement incremental improvement to process and reporting mechanisms.

All expenditure is outlined in the linked report above.

A review of projects has taken place and where questions have been raised, these have been addressed with funding partners and in some cases additional measures have been put in place to better understand and quantify projects. For example, a project was being monitored in terms of hours received and number of referrals made. In order to provide additional assurance, additional qualitative measures have been put in place to give a better understanding of the work undertaken and the value achieved for the customer and the Council.

A desktop review had been undertaken to understand the allocation and proportion of spend against the priorities outlined above. This is summarised in the table below:

During the debate the following comments and questions were raised:-

- Establishing the cross party members working group was welcomed, renewing the understanding of this area for Councillors.
- It was questioned if Engage still existed in a separate entity or were subsumed by Spark, this was confirmed by the officers. Spark undertook the role for all Districts in Somerset.
- It was questioned if there has been a misuse of funds from a third party organisation, with this having been set out as a risk in the report.
- The different levels resilience of communities across the Council area was considered, and if any work had been done to determine this. The levels of funding should reflect the levels of resilience and take into account the specific impact to community and organisation. This was recognised as an influence across the district, especially with a disparity of volunteers.
- The disparity for the West Somerset Advice Bureau grant compared to the Taunton area was questioned, an increase in the grant was requested due to the outreach work undertaken.
- The majority of enquiries are over the phone and by email and were staffed by volunteers. Further Councillor participation to address similar issues was requested.
- A full review of voluntary and community sector grants was requested.
- Increases to grants were needed for the future and ongoing impact of the pandemic.

- The lack of information from the impact of Covid needed to be addressed to consider what additional future funding would be required. Further communication to establish the issues going forward to consider options around increasing funding.
- The members working group would be in the best position to review the organisations and how grants were placed.

The Scrutiny Committee Recommended:-

1. To maintain or increase current levels of funding for the final year of the current agreement to end in March 2022.
2. To recommend to Executive that a cross party Members Working Group is established to work with officers to ensure that clear funding criteria are in place for future work with the Voluntary and Community Sector beyond March 2022.
3. As part of the review of the Voluntary and Community Sector Grants, the increased workload for the two Citizens Advice Bureaus that cover the SWT area must be recognised accordingly with a grant increase in line with their objectives to meet increased demands due to Covid, and that this support is equalized across population areas that they cover, but not to the detriment of other organisations being funded by SWT.

105. **Access to Information - Exclusion of the Press and Public**

Resolved that:- The Scrutiny Committee Recommended that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business on the ground that it involves the likely disclosure of exempt information as defined in paragraph 3 respectively of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

106. **Extension of Public Space at Belvedere Road**

The Asset Management Team are reviewing ongoing liabilities for Council owned property as part of the 30 year maintenance plan. The asset in question and the disused building nearby have been identified as adding limited value to the portfolio when compared with the on-going costs of maintenance, the capital investment needed, and the potential to improve the area that the current properties occupy.

The recent surveys on property compliance have identified an immediate expenditure required on the asset. Added to that was a further predicted spend was needed to modernise the property and improve accommodation standards.

The recommendations of this report were to demolish both properties and remove the ongoing liabilities for Somerset West and Taunton Council. The area to then be utilised

as an extension to the public space removing the opportunities for antisocial behaviour through activities no longer being shielded by the buildings.

- The carbon cost of asset disposal was questioned along with the building and land value.
- Consideration to the surrounding landscape areas were questioned. Future use was still to be defined.
- Recent works on the roof had been undertaken, cost estimates of roofing works in the report were questioned.
- Additional uses of the building was requested to be considered such as houses and office space.
- Auctioning the building was requested to be considered.
- Ongoing support with the tenants to assist with alternative office space was encouraged.
- The committee were of the view for the item to be considered at Full Council due to it being an asset of importance to the residents of Taunton.

The Scrutiny Committee recommended to the Executive:-

The Committee consider that the historic importance of the building to Taunton in the long term requires that its future needs to be secured and the decision of its future needs to be taken at Full Council.

(The Meeting ended at 9.45 pm)

SWT Scrutiny Committee - 6 January 2021

Present: Councillor Gwil Wren (Chair)

Councillors Libby Lisgo, Ian Aldridge, Sue Buller, Norman Cavill, Simon Coles, Dixie Darch, Habib Farbahi, Ed Firmin, Dave Mansell, Derek Perry, Phil Stone, Ray Tully, Nick Thwaites and Keith Wheatley

Officers: Andrew Randell, Marcus Prouse, Dawn Adey, Joe Wharton and Andrew Pritchard

Also Present: Councillors Mark Lithgow, Peter Pilkington, Brenda Weston, Loretta Whetlor, John Hassall, Mike Rigby and Sarah Wakefield

(The meeting commenced at 6.15 pm)

107. **Apologies**

No apologies were received.

108. **Minutes of the previous meeting of the Scrutiny Committee (to follow)**

Resolved that the minutes of the Scrutiny Committee held on 2 December be considered at the next meeting.

109. **Declarations of Interest**

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description of Interest	Reason	Action Taken
Cllr N Cavill	All Items	West Monkton	Personal	Spoke and Voted
Cllr S Coles	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr L Lisgo	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr D Perry	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr R Tully	All Items	West Monkton	Personal	Spoke and Voted

110. **Public Participation**

There was no public participation.

111. **Scrutiny Committee Forward Plan**

(Copy of the Scrutiny Committee Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

Resolved that the Scrutiny Committee Forward Plan be noted.

112. **Executive Forward Plan**

(Copy of the Executive Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

Resolved that the Executive Forward Plan be noted.

113. **Full Council Forward Plan**

(Copy of the Full Council Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

Resolved that the Full Council Forward Plan be noted.

114. **To consider reports from Executive Councillors**

Councillor Rigby introduced the Executive report for Planning and Transportation.

The report covered an update of the Local Plan Review Consultation, Wellington Station Business Case, and Interim Policy Statement on Planning for the Climate Emergency.

A further update was presented in relation to Phosphates and the Somerset Levels and Moors Ramsar site. Further summaries were provided in relation to the East Street Pedestrianisation, active travel cycling schemes and the Planning Committee.

During the debate the following comments and questions were raised.

- Discussion took place in relation to the performance of the Planning department and concerns had been expressed in relation to targets being met.
- It was recognised there was further work to be done but improvements had been made to meet targets. It was recognised this had taken a while due to training and mentoring required.
- Issues around section 106 funding had been discovered and work to resolve this was ongoing.
- The number of applications in the pipeline continued to be at a good level even though the Covid-19 pandemic, developers continued to progress developments in the pipeline along with larger developments such as the Coal Orchard development continuing but with some delays.

- The length and the process at Planning meetings continued to be a concern.
- Future site visits for Planning Committees were questioned and the potential to arrange these in instances where required and considered beneficial.
- Transport and infrastructure projects had were questioned such as the Wellington Railway Station and Wellington to Taunton Cycle path.
- Staff in the Strategy Team had been working towards the Covid-19 response and Unitary bid. Therefore the work on the Local Plan and the timeline of this had slipped. An adopted local plan was considered unlikely at the end of the quadrennium.
- The adoption of any plan by the new authority was considered unlikely due to the change of ambitions of a new council.
- Zero Carbon ambitions as part of the Planning Policy would be considered, interim Planning Policy guidance around this would be explored by the Planning Policy Department.
- District Heating with new developments was considered to ensure renewable and low carbon energy standards.
- Garden Town plans were discussed along with attracting funding to create sustainable transport.
- Training for Parish Councils for Planning matters was requested, this would be picked up following the meeting to see if something could be arranged.
- An update was requested around the phosphate impact on developers and the planning process. A calculator would be completed and signed off within a few days so developers are aware what there developments are responsible for and mitigation measures can be determined and agreed.
- Concerns had been expressed on the impact on local businesses and small constructors.
- The impact on farm slurry and the lack of action from Wessex Water was questioned.
- Section 106 funding and the overall loss of funding was requested.
- Loss of access to sums of money from the 106 was a loss to communities that couldn't afford to lose this funding.
- The Committee thanks Councillor Rigby for his participation.

Councillor Pilkington introduced his Portfolio Holder Report.

The Assistant Director for Operational Delivery provided a presentation in respect of e-scooters, procurement of electric pool cars, vehicle charging points and Housing retrofitting.

During the debate the following comments and questions were raised.

- The key priorities of the Portfolio Holder in getting the Council towards Carbon Neutrality by 2030 were questioned.
- There was confidence in the work undertaken, key actions in prioritising Carbon Neutral projects was requested.
- The strategy highlighted that transport and build infrastructure would make the biggest impact in Carbon Neutrality ambitions.
- A scorecard would be developed on quantifying the impacts and track the progress towards carbon neutrality.
- Putting the climate change emergency at the centre of what the authority does and how progress in other areas of Council business was questioned. It was acknowledged progress was still to be made in fitting this in across the organisation.

- A rolling programme to involve Western power works required for the installation of charging points was encouraged.
- The vision and urgency of the addressing emergency was questioned. Stopping carbon emissions by 2030 was demanding due to the late nature of the goal.
- A role for local authorities in private sector housing retrofit was encouraged alongside a review of renewable energy in the HRA and on local transport.
- Differentiate what happens from a Council perspective and Somerset wide basis was important. Solar PV and local energy generation was part of the programme alongside engaging with all agencies and developers.
- It was recognised more communications and visibility was required in some instances of the carbon neutrality programme. A specialist officer to address community engagement was requested to help move the ambitions forward to help with the visibility.
- Getting main Housing Developers on board was essential in addressing carbon neutrality
- Support for Parish Councils to work together and collaborate to support was encouraged. Parish Councils were engaged and had similar initiatives to address climate change. County initiatives had created momentum.
- The working group would be created but there was no start date in setting this up currently.
- 6000 residents had registered to use e-scooters since the launch. E-Scooters would be extended further to other areas across the district.
- There had been no recorded accidents from e-scooters since the launch.
- There had been disappointment in charging points not being installed in all car parks.
- There had been capacity issues in introducing more charge points in car parks but there was ambition to introduce more this year.
- Ended 20.45
-
-

The Scrutiny Committee noted the Executive Reports

115. **Access to Information - Exclusion of Press and Public**

Resolved that:- The Scrutiny Committee Recommended that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business on the ground that it involves the likely disclosure of exempt information as defined in paragraph 3 respectively of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

116. **Heritage Project Update**

The Assistant Director for Major and Special Projects alongside the Heritage at Risk Project Manager provided an update in relation to a recent opportunity in relation to a Heritage project.

The history and issues around the project were set out alongside the risks and recent approach around the project.

The committee expressed concerns around the risk of the project and the liabilities if the project was undertaken.

The Scrutiny Committee noted the update.

(The Meeting ended at 9.29 pm)

SCRUTINY

Meeting	Draft Agenda Items	Lead PFH/ Lead Officer	Executive Report?
27th Jan 2021	General Fund Revenue Budget and Capital Programme 2021/22	Cllr R Henley/ Emily Collacott	Yes
Virtual	HRA Revenue and Capital budget setting 21/22, Dwelling Rent setting 21/22 and 30 year Business Plan Review	Cllr R Henley / James Barrah & E Collacott	Yes
BUDGET ONLY			
3rd Feb 2021	East Street/St. James Street, Taunton Pedestrianisation	Cllr M Rigby / J. Wharton	Yes
Virtual	Executive Cllr PFH Session Kravis	Executive Member	No
	Commercial Asset Management?	Cllr M Kravis / C.Hall	No
3rd March 2021	2020/21 Budget Monitoring Q3	Cllr R Henley/ Emily Collacott	Yes
Virtual	Q3 Performance Report	Leader/Cllr R Henley/SMT	Yes
	Executive Cllr PFH Session?	Executive Members various	No
	Options appraisal for delivering future single rough sleeper and homelessness accommodation in SWT	Cllr F Smith / S. Lewis	Yes
7th April 2021	Executive Cllr PFH Session	Executive Members various	No
Virtual			

FULL COUNCIL

Meeting	Report Deadline	Draft Agenda Items
18 February 2021	8 February 2021	General Fund Revenue Budget and Capital Programme 2021/22
Budget Only		HRA Revenue and Capital budget setting 21/22, Dwelling Rent setting 21/22 and 30 year Business Plan Review
		Policy Framework
23 February 2021	11 February 2021	Voluntary and Community Sector Grants Review
		Council Tax Resolution 2021/22
		Decisions taken under the urgency rules
		PFH Reports
30 March 2021	18 March 2021	2021/22 Partnership Grants Schedule
		Capital, Investment and Treasury Strategies 2021/22
		Pay Policy
		Procurement Strategy
		Decisions taken under the urgency rules
		Strategic Heritage Update (confidential)
		PFH Reports
May 2021		Review of the Commercial Property Investment Activity and Performance Report
		Public Realm Design Guide for Taunton Garden Town – Feedback
		Somerset West and Taunton Districtwide Design Guide
September 2021		Annual Review of the Commercial Property Investment Strategy

ITEMS TO BE CONFIRMED		Firepool LDO
		Strategic Acquisition Report (confidential)

Executive Meeting	Draft Agenda Items
20 January 2021	Somerset Economic Recovery & Growth Plan
Exec RD = 8 January	SWP Business Plan
Informal Exec RD = 8 December	
SMT RD = 25 November	
9 February 2021	General Fund Revenue Budget and Capital Programme 2021/22
BUDGET ONLY	HRA Revenue and Capital budget setting 21/22, Dwelling Rent setting 21/22 and 30 year Business Plan Review
venue =	Policy Framework
Exec RD = 28 January	
Informal Exec RD = 5 January	
SMT RD = 9 December	
24 February 2021	East Street/St. James Street, Taunton Pedestrianisation
venue =	Safeguarding Policy Update
Exec RD = 12 February	Strategic Heritage Update (confidential)
Informal Exec RD = 12 January	
SMT RD = 21 December	
17 March 2021	2021/22 Partnership Grants Schedule
venue =	2020/21 Budget Monitoring Q3
Exec RD = 5 March	Capital, Investment and Treasury Strategies 2021/22
Informal Exec RD = 9 February	Pay Policy
SMT RD = 27 January	Q3 Performance Report
	Procurement Strategy
	Options appraisal for delivering future single rough sleeper and homelessness accommodation in SWT
21 April 2021	Belvedere Road Public Space
venue =	Public Realm Design Guide for Taunton Garden Town – Feedback
Exec RD =	Somerset West and Taunton Districtwide Design Guide
Informal Exec RD =	
SMT RD =	

Items to be Confirmed	Firepool LDO
	Strategic Acquisition Report (Confidential)

Somerset West and Taunton Council

Scrutiny – 27 January 2021

HRA Revenue and Capital Budget Setting 2021/22 including Dwelling Rent Setting 21/22 and 30-Year Business Plan Review

This matter is the responsibility of Executive Councillor Francesca Smith

Report Author: Kerry Prisco, Finance Business Partner (Housing & Communities)

1 Executive Summary

- 1.1 This report updates Members on the proposed Housing Revenue Account (HRA) Annual Revenue Budget and Capital Programme for 2021/22, the proposed Rent Setting for 2021/22 and an update on the 30-Year Business Plan Review.
- 1.2 The proposals included in this report would enable the Council to set a balanced budget for the HRA for 2021/22.

2 Recommendations

- 2.1 Full Council are asked to approve the following recommendations:
 - 2.1.1 To approve the HRA Annual Revenue Budget for 2021/22.
 - 2.1.2 To approve the increase of 1.5% (CPI+1%) to Dwelling Rents for 2021/22.
 - 2.1.3 To approve the HRA Capital Programme for 2021/22.
 - 2.1.4 To note the reviewed and updated assumptions in the 2021 HRA 30-Year Business Plan.
 - 2.1.5 To approve the minimum operational balance on HRA general reserves at £2m.

3 Risk and Issues

- 3.1 Since 2012 the HRA has operated on a 'self-financing' basis with the Council funding council housing from the income generated from rents and other charges. Although 'self-financing' has provided the Council with more flexibility, it has also brought additional risk. Those risks are primarily concerned with threats to income and expenditure that could compromise the viability of the HRA Business Plan. The Council regularly monitors its risks via a risk register and below are a number of the key risks for 2021/22:
- 3.2 **Welfare Reform and Universal Credit (UC):** The impacts of Welfare Reform and UC on the HRA Business Plan are significant with the number and value of rent arrears expected to increase considerably. A number of mitigations are already in place to help support tenants affected by Welfare Reform and UC such as debt advice, access to discretionary housing payments and a new arrears management team with redesigned workflow processes. Welfare Reform and UC may require the Council to revise future income projections as our experience with Welfare Reform and UC develops.

- 3.3 **Movement in Business Plan Assumptions:** The HRA Business Plan incorporates many assumptions that contribute to the financial assessment of strategic and operational aspirations over the 30-year period. These include rates in inflation on income and expenditure, rates for new borrowing, minimum reserves levels, projected revenue and capital spend, etc. The direct influence officers have on some of these that could have a big impact is minimal (e.g. rates of inflation and borrowing) and we are at risk of having to react to whatever external political and economic market influences occur.
- 3.4 **Responding to increased stock quality standards:** Changes to the Regulator of Social Housing's decent home standard as well as higher thermal efficiency standards which are unsupported by additional external grant funding would place an additional burden on HRA resources available for elemental investment in homes. Once the detail is known, we will need to adapt to ensure we continue to maintain stock at the Decent Homes Standard and prepare to meet all the evolving expectations, incorporating the financial impacts into the Business Plan.
- 3.5 **Building Regulation and Fire Safety:** The Grenfell Tower fire and subsequent Review of Building Regulation and Fire Safety bring a number of operational and financial risks. These risk have been mitigated with the increases in revenue and capital budgets proposed for 2021/22 for compliance related work. However the exact costs are currently unclear and will require some degree of re-prioritisation within the 30-Year Business Plan. There are likely to be other impacts as a result, such as impacts on the repairs budget due to additional work to communal areas, more intensive management of flat blocks and further resilience within teams to respond to the volume and breath of enquiries. We will need ensure continued compliance with these statutory requirements.
- 3.6 **Housing White Paper:** In November the Government published the Housing White Paper which sets out the changes to how social landlords will operate. It will require a number of changes to home safety, tenant satisfaction measures, complaints handling, a new inspection regime for social landlords and a strengthened role for the Regulator of Social Housing. Many of the new changes in the white paper have already been mitigated in Housing by strengthening our compliance activities, setting up the new Housing Performance Team to be responsible for communications, performance data and engagement but this will need to be kept under review and self-assessment has begun.
- 3.7 **New Housing Supply:** The provision of new affordable housing is a key objective for the HRA Business Plan. Such development carries significant risks that we will need to continue to manage and monitor.
- 3.8 **Borrowing:** The Treasury announcement in the 2020 Spending Review that local authorities with plans to incur capital expenditure acquiring assets primarily for yield will not be permitted to access new PWLB loans for long term borrowing. In response to this, the authority will continue to manage borrowing requirements as a whole through our ongoing treasury management arrangements and will look to other sources for long-term capital finance. The risk is that it may take longer to arrange long term finance and that the rates will be determined by the market. We will continue to explore alternative sources of debt with advice from Arlingclose, our Treasury Advisors. The outcome of this may require further adjustments within the business plan relating to the assumed rate for new borrowing over the 30-year period.

- 3.9 **Unitary Authority:** the Secretary of State is due to make a decision before the summer recess in 2021. Whichever decision is made by Secretary of State our local government model will change and the HRA will be impacted by this. The risk for the HRA is the possible share of implementation costs, which are currently unknown, and whether these costs will need to be funded using revenue or capital budgets. From a capital perspective the business plan does provide some headroom to allow non-right to buy (RTB) receipts to be used as flexible capital receipts to fund transformation costs. However this direction ends on the 31 March 2022 and it is unknown if the government will approve an extension on this directive. If the costs can only be treated as revenue then we may need to review other expenditure to make this affordable and or consider the use of reserves.
- 3.10 **COVID-19:** The unknown future impact of the pandemic presents a risk to the Housing Service, particularly in terms of revenue collection as well as impact on tenant mental health and wellbeing. We have already seen a drop in inflation rates impacting our future income and expenditure, however another significant risk relates to financial hardship that will result from the impact of COVID, particularly following the ending of government support such as furlough and the current uplift in Universal Credit. The net result is likely to be higher unemployment and much tighter finances for many households which will impact on their ability to pay rent. Furthermore, there may be an increasing need to invest more in support services for tenant households affected by the impact of COVID. This could present across a range of service demands including increased debt and benefits advice; unemployment support, mental health support; anti-social behaviour intervention, safeguarding and domestic abuse support.
- 3.11 **Exiting the EU:** The reality of exiting the European Union remains in a state of uncertainty about what the impact will be now the government has negotiated a trade deal. This could affect the cost of goods/materials, services, development and funding.
- 3.12 **Inflation on Staffing Costs:** Staffing costs have not been inflated for 2021/22 following the government's announcement in respect of public sector pay. It is assumed for budget purposes that local government pay negotiations will follow suit. However if a 1% pay award was given this would cost the HRA an additional £65k (or an additional £152k at 2%) in direct staff costs.
- 3.13 **Government Rent Policy Change:** It is not inconceivable that we could see a further change in rent policy from government as we have seen before, to reduce rents, whilst this will support tenants financially it has a significant impact on our business plan, it also has the effect of a significant saving on the benefit bill for government so may be a current consideration for the treasury at the current time in light of impact of COVID.

4 **Background and Full details of the Report**

- 4.1 The HRA is a ring fenced account used to manage the Council's housing stock of some 5,700 properties, with the Council acting as the Landlord.
- 4.2 In April 2012, under the Localism Act 2011, the HRA (under the administration of Taunton Deane Borough Council (TDBC)) moved away from a national subsidy system (which required an annual payment from the HRA to Central Government) to become 'self-financing'. This enabled the Council to retain all rental income to meet the costs of managing and maintaining the housing stock, as well as meeting the interest payments and repayment of debt. As part of the self-financing agreement, a one-off payment of £85.198m was made to Government.
- 4.3 In order to manage the freedoms gained by the HRA through self-financing, a new 30-

Year Business Plan (2012-2042) was introduced. This set out the Council's overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities.

- 4.4 The HRA Business Plan has been reviewed and updated annually since 2012, with a full review undertaken in 2016 and 2020 in response to the changes in national policies and local aspiration. The 30-Year Business Plan has again been reviewed as part of the 2021/22 budget setting cycle and the key changes / updates to the plan are described in section 5 below.
- 4.5 The HRA continues to face a number of risks and issues, many of which could be significant but the actual financial impact is not yet known. These risks and issues are more significant for us as we proactively drive forward substantial investment in social housing development, with both existing schemes and more schemes planned for the future. These risks and issues are discussed in section 3 above.
- 4.6 As part of the self-financing agreement, an individual housing revenue borrowing cap of £116m was implemented for TDBC. This meant that the HRA was unable to exceed a capital borrowing requirement of £116m within the HRA Business Plan. In October 2018 this borrowing cap was officially removed.
- 4.7 The HRA has benefited from these freedoms in particular the ability to develop new homes; with the addition of 183 homes to the housing stock since 2012.

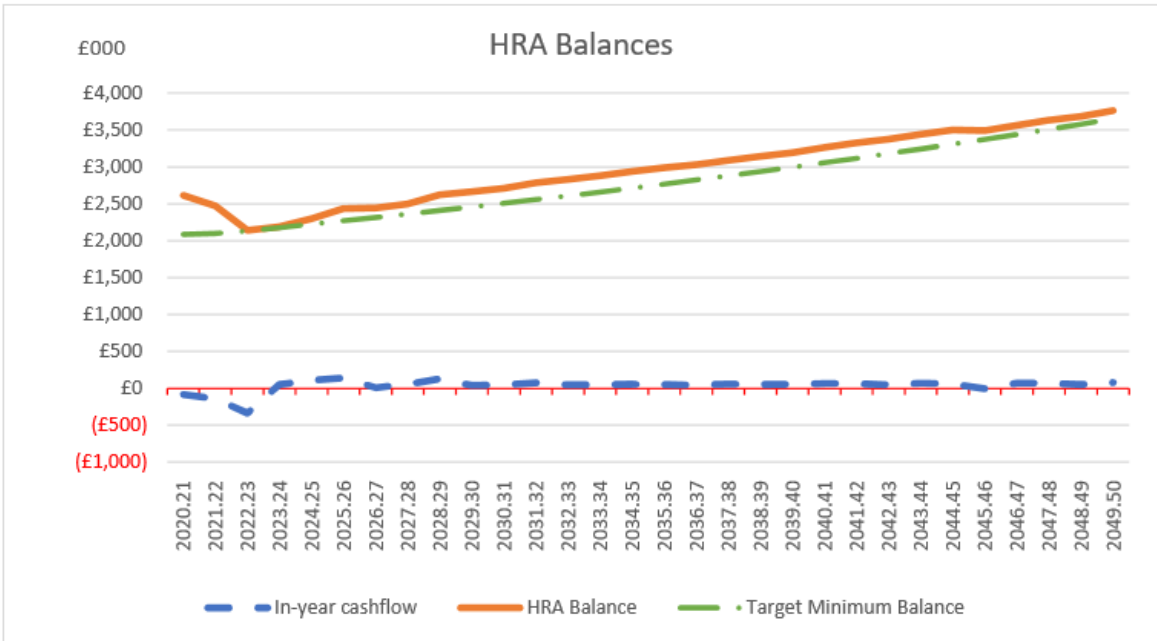
5 The HRA 2021 30-Year Business Plan Review

- 5.1 Whilst the business plan is updated on a regular basis, a more thorough review was undertaken again this financial year as part of the budget setting process. This was as a direct result of the significant financial and economic impact caused by the COVID pandemic as well as the need to ensure a comprehensive financial investment appraisal was undertaken for the significant social development schemes recently considered.
- 5.2 Independent financial housing advice was sought from Altair to support the business in undertaking this in-depth review; to provide challenge to our existing assumptions and provide assurance in the HRA's ability to deliver the new build aspirations. The outcome of this evaluation can be found in Altair's report found in Appendix A.
- 5.3 In summary, a new business appraisal model has been used and updated with the following key assumptions and projections:
- Revenue Budget Estimates for 2021/22
 - Capital Programme for the next 10 years
 - Dwelling Rent increase of 1.5% until 2024/25, reducing to just Consumer Price Index (CPI) thereafter
 - Void loss at 2% of gross rental income
 - Inflation projections that reflect the statistics published in October 2020 by the Office of National Statistic (ONS) (September CPI) and HM Land Registry (HMLR) (August House Price Index (HPI))
 - Interest on new debt at 2% until 2024/25, rising to 2.5% thereafter
 - Minimum reserves position of £2m
 - Social housing development programme to include the recently approved Zero Carbon Pilot, Seaward Way, Oxford Inn and North Taunton Woolaway Project.

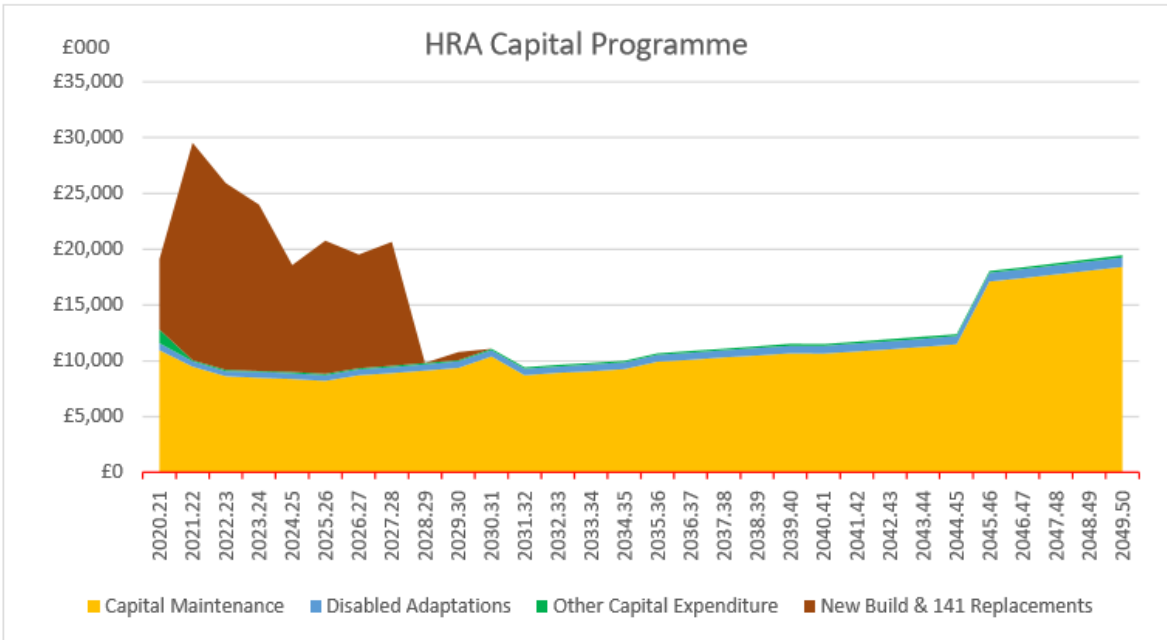
- 5.4 **Performance Measures:** The following measures have been used by Altair to assess

affordability and financial sustainability of our operational aspirations, which have been summarised below as per Altair’s report (see Appendix A Section 4).

5.4.1 **Minimum General Reserves Balance:** This is maintained at above the minimum proposed limit of £2m throughout the forecast. The business plan assumes that any “excess” rents generated are made available to repay debt.

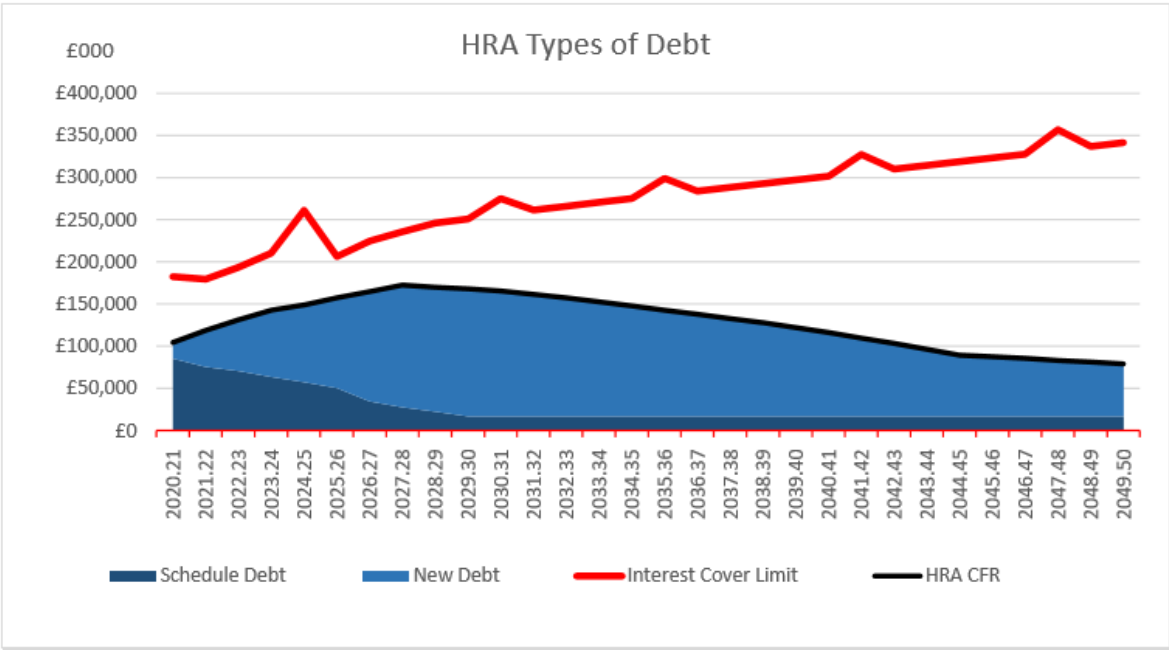


5.4.2 **Capital Programme:** The proposed capital programme enables the HRA to maintain its existing stock (amber area) and allows for the new build / purchase of an additional 374 units by 2027/28 (brown area). The investment requirement for the existing stock steps up significantly in the last five years of the forecast as a result of component replacements that are expected to become due. This is affordable within the current baseline position.

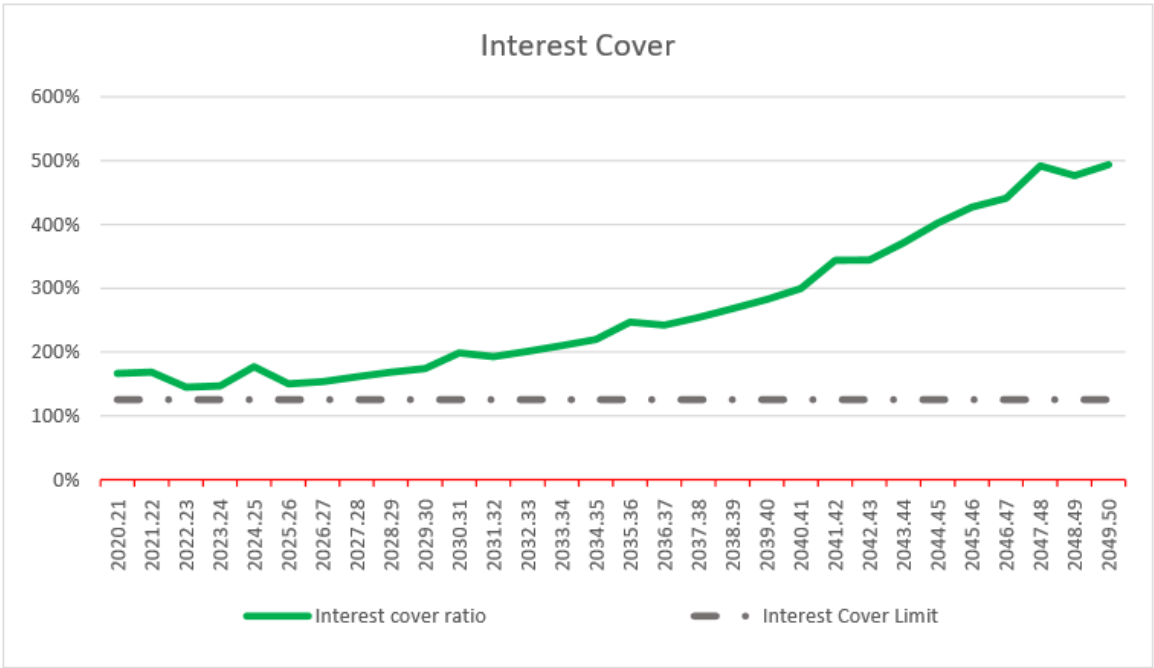


5.4.3 **Capital Financing Requirement:** There will be a need to take out additional (new) debt

to pay for the capital programme and to refinance existing loans falling due. Therefore the borrowing requirement increases initially reaching a peak debt of £173m in 2027/28. The HRA is then able to reduce debt to a forecast residual balance of £79m at the end of the period.

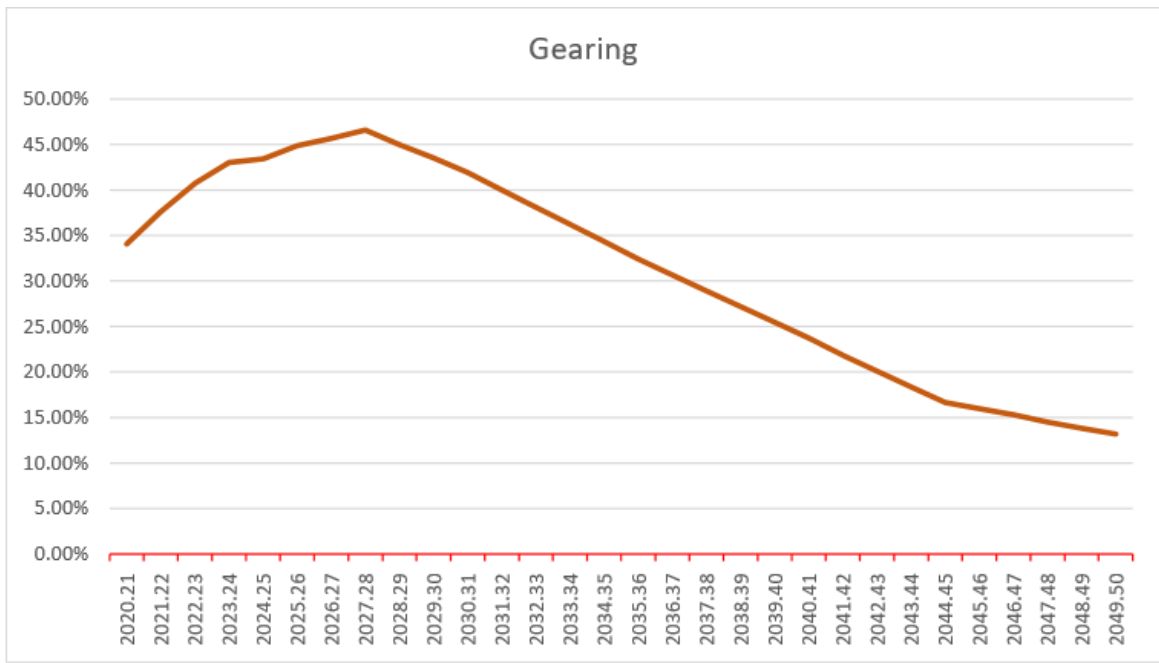


5.4.4 Interest Cover: This metric measures the ability of the HRA to be able to finance the interest payable on debt by 1.25 times or more. This measure is widely used by housing associations, and indicates the ability to pay for debt-related costs. The forecast shows that we meet and improve upon this minimum interest cover requirement during the 30-year period.

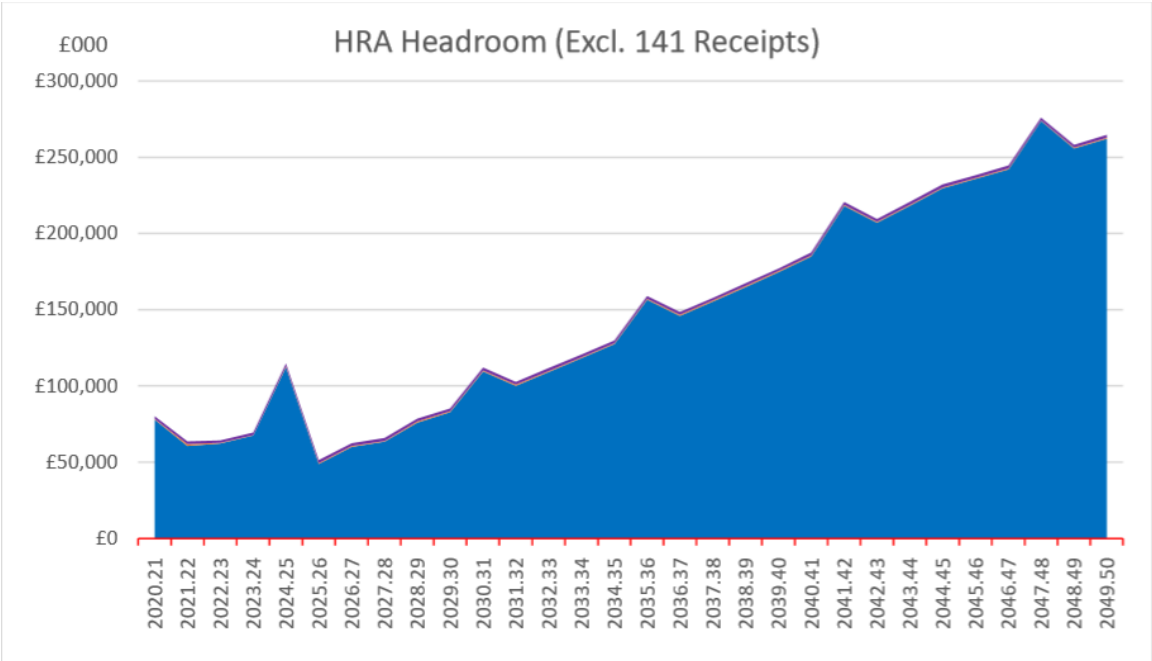


5.4.5 Gearing: This looks at the value of HRA assets and compares this to the level of debt. The baseline shows gearing peaking at 46.62% in 2027/28 and then reducing to 13.20% by the end of the forecast. To put this in context this is broadly equivalent to an owner

occupier having a mortgage that comes to 46.62% of the value of their home.

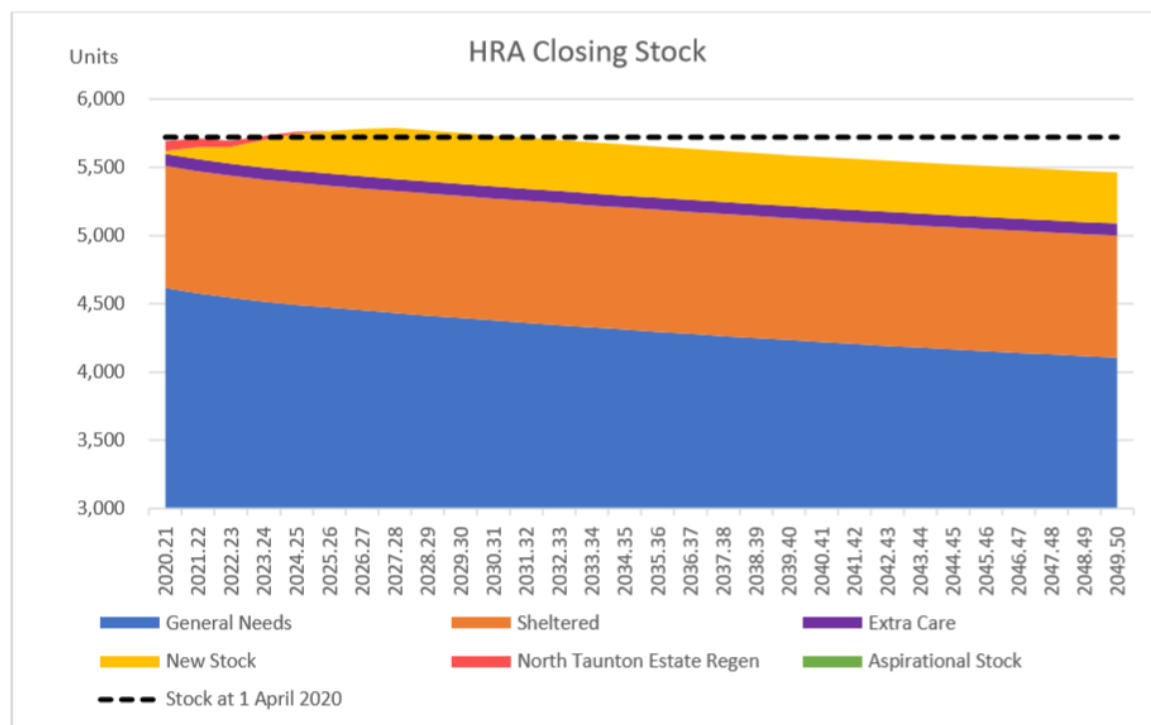


5.4.6 **Headroom:** This represents the additional borrowing capacity available to the HRA without exceeding the interest cover limit. The headroom drops to its lowest of £48m in 2025/26, but overall this represents a reasonable level of headroom over the 30-year period. It is important that the HRA always maintains sufficient headroom to be able to react to emerging and / or unforeseen circumstances.



5.4.7 **Stock Levels:** There is an initial growth in stock numbers (374 units) from the new build social development schemes that are already approved reaching a peak of 5,834 units at the end of 2027/28. Thereafter assumed RTB Sales reduce stock levels to 5,515 units

at the end of the period.



- 5.5 In summary, Altair have stated that the HRA's baseline presents a strong starting position. The HRA is able to deliver a substantial medium term development programme, while maintaining its existing stock and being able to repay the additional debt required to finance the capital programme by the end of the forecast period.
- 5.6 Therefore the current approved programme of works is affordable and financially sustainable based on current projections and the current economic climate. Throughout the Baseline forecast the HRA is able to operate well within its means, with further headroom available should it need to respond to unexpected changes in circumstances.
- 5.7 **Sensitivity Tests:** In essence this is still a high level business plan based upon on a number of assumptions which can easily change as seen with inflation and interest rates during the last year. Altair has undertaken a number of sensitivity tests (see Appendix A Section 7) on our baseline position to consider the impact this has on peak debt, debt at the end of the period and borrowing headroom. This will enable the business to manage those risks alongside the short and medium term activities of the business.
- 5.7.1 **One Year Rent Freeze:** The assumption that rents were frozen in 2021/22 and remained at the same levels of 2020/21 was modelled. This would reduce income generated in 2021/22 by £363k and this would also reduce income by £5.6m over the 30-year period. This is partially offset through the estimated turnover of tenants, with new tenants signing up on rent flexibility levels. By generating less income the HRA has less money available to repay debt and has to borrow more for a longer period. The impact within the 30-year business plan is that peak debt goes up by £1.797m and debt at the end of the forecast increases by £8.121m. In addition to this, if the HRA generates less income it has less money available to cover its interest payments on borrowings and therefore reduces the amount of money the HRA can borrow. The impact within the 30-year business plan is that the borrowing headroom reduces by £10.141m.
- 5.7.2 **Cost of Borrowing Increases:** Of the three sensitivity tests this had the greatest impact. A 1% increase in the cost of borrowing requires the HRA to use more rental income to

pay for the debt interest payments instead of repaying the debt itself. Therefore the HRA has to borrow more for longer, resulting in peak debt rising by £2.8m a year later in 2028/29. The residual debt is also much higher increasing by £45m (to £115m).

- 5.7.3 **Increases in Cost:** A 0.5% increase in inflationary costs for five years to deliver services, investment and new homes (assuming the same level of income) was modelled. This means that there is less income available to finance and / or repay debt. Therefore the HRA has to borrow more for longer, resulting in peak debt rising by £2.3m 2027/28 and residual debt is £25m higher (to £95m).
- 5.8 **Target of 1,000 New Homes:** Altair have also extended the baseline position to model the affordability and financial sustainability of delivering further aspirational new build to meet the 1,000 new homes as per the 2020 Business Plan. The majority of the key measures look positive, however the overall debt position rises at the end of the 30-year period, which means that projected income from rents (and other sources) is unable to sustain the level of investment required to deliver these additional aspiration units without cost savings being delivered.
- 5.9 **Zero Carbon Retrofit:** The capacity to deliver a zero carbon retrofit (either within 10 years or 30 years) was also modelled but both placed significant pressure on the business plan with debt continuing to rise at the end of the period and leaving no headroom for unforeseen circumstances, which is not recommended. The business plan is currently unable to deliver both a development programme and a zero carbon retrofit programme. Unless there is significant government funding we will face future choices between our later years development plans versus retrofit as delivering both is not currently affordable, but this is a decision for a later time as the market and approach to retrofit matures.

6 HRA Budget Estimates for 2021/22

- 6.1 The draft HRA Revenue Budget for 2020/21 and 5-year Medium Term Financial Plan (MTFP), as a result of planned changes within the HRA 2021 Business Plan review and other changes, is included in Appendix B.
- 6.2 Table 1 below provides a summary of the main proposed changes to the annual revenue budget estimates from 2020/21 to 2021/22.

Table 1: HRA Budget Setting 2020/21 to 2021/22 Changes

	Reference Paragraph	£'000
Original Budget 2020/21 - balanced budget		
<u>Income</u>	6.4	(895)
<u>Service Expenditure</u>		
Growth:		
Growth for Salaries: Apprentices	6.7	100
Growth for Salaries: Systems Case Manager	6.8	48
Growth for Pension Deficit	6.9	43
Growth for Compliance Costs	6.10	455
Growth for Voids	6.11	94

Growth for New Mechanic Contract	6.12	20
Growth for Housing Partnership	6.13	23
Growth for Compliance Software	6.10	41
Inflation for Grounds Maintenance Contract	6.14	15
Removal of Efficiency Savings	6.15	100
Removal of Funding From Earmarked Reserve 20/21	6.16	183
Savings:		
Reduction in Shared Staff Costs	6.17	(457)
Reduction in Case Manager Post	6.18	(36)
Reduction in Staffing Costs	6.18	(48)
Capitalisation of Development and Construction Staff Costs	6.19	(200)
One-Off Saving on CCTV Contract	6.20	(15)
Other Adjustments	6.21	(57)
<u>Central Costs / Movement in Reserves</u>		
Inflation on Depreciation	6.21	662
Reduction in Interest Payments	6.23	(76)
Proposed Original Net Budget for 2021/22		0

6.3 The main changes include:

6.4 **Income:** as per section 7 and 8 below, we are proposing to increase rents and services charges (where applicable) by CPI+1%. We have also assumed a 2% void loss on dwelling rents which is an increase of 0.75% in light of the current climate (from 1.25% in 2020/21). For dwelling rents the increase in void rate has reduced income by £186k and the inflation generates £363k more income.

6.5 For temporary accommodation we have increased the void rate to 20% (from 10% in 2020/21) on standard stock reducing income by £15k. However this has been offset in part by the one-off addition of temporary accommodation in the North Taunton area adding a further £138k income in 2021/22.

6.6 Other changes include an increase in estimate RTB sales and service charges increased by inflation. The total changes in income equates to an additional £895k of income for next year.

6.7 **Apprentices:** an additional £100k has been included for 2021/22 to provide capacity to fund a number of apprentice positions to support the delivery of an excellent, customer focussed responsive and void repairs service. There is a shortage of skilled trade workers in the construction sector, both nationally and locally, and this has led to difficulty in our recruiting and retaining in this area. We would seek to 'grow our own' future skilled and dedicated trades persons, support their education and develop them through our existing trade services. We are looking for budget funding to enable four apprentice positions, over a range of trade areas, and give our existing team a real opportunity to demonstrate and pass on their skills to a future group of crafts people.

6.8 **Systems Case Manager:** this new post is being added to the staffing structure at an ongoing annual cost of £48k. This role will be fundamental to the Housing Directorate in

providing a more cohesive housing systems application maintenance and support, and delivering efficiency improvements in the use of all housing system applications.

- 6.9 **Pension Deficit:** the contribution towards the pension deficit will increase in 2021/22 as determined by the Pension Fund actuary. This increase of £43k is the HRA's share of this cost inflation.
- 6.10 **Compliance:** the increase of £455k relates to the property safety compliance works required to ensure we meet relevant legislative standards, regulatory requirements and keep our customers safe are key activities for the Housing team. These works include ongoing inspections, safety checks and servicing in relation to fire safety, water safety management, electrical testing, passenger lifts and stair-lifts, and Air Source Heat Pump servicing. We have undertaken validation surveys throughout our property stock to ascertain the necessary checks needed, and also carried out Risk Assessments where required. This work has established a need for an ongoing programme of enhanced checks, delivered by both in-house and external resources, and the required funding to deliver this critical area of activity.
- 6.11 **Voids:** the increase of £94k relates to anticipated cost pressures from additional void repairs being required due to properties being returned with a higher level of outstanding repairs (either due to the previous tenant not requesting these be undertaken following anxiety about the work being done during the COVID pandemic, or due to a backlog of outstanding repairs generally), and also as a result of more properties becoming void as projects to deal with property under-occupation progress (generating more work required due to both the size of the void properties coming through, and proportionately more properties having higher levels of repairs required due to older tenants either refusing upgrade works in the past and / or not reporting responsive repairs).
- 6.12 **Mechanic Contract:** Our operational services are moving to a contracted Mechanic service provided by a third party rather than employing mechanics in our staff in order to provide a more flexible service, this budget provision of £20k is the HRA contribution to this service.
- 6.13 **Private Sector Housing Partnership (Somerset Independence Plus):** SWT contract services from Sedgemoor District Council to deliver disabled facilities and adaptations to housing property and other services to tenants, alongside the work of this service to support private sector residents. In order to realign the budgets there is a one-off ongoing growth of £23k required for the HRA share of this contract.
- 6.14 **Inflation on Grounds Maintenance Contract:** as a direct result of increasing the grounds maintenance service charge by CPI+1% this provides extra budget availability to support this area of service delivery.
- 6.15 **Efficiency Savings:** the original target of £100k has been removed to rebase the budget for 2021/22. In light of the COVID pandemic the aspiration to find these efficiency savings during the year has not been fulfilled. The service will continue to strive to achieve and maintain efficiency savings wherever possible. We are currently re-establishing our Lean reviews of the three main housing processes of repairs, voids and income, with the income review already containing and reducing the level of arrears and the number of tenants in debt.
- 6.16 **Funding from Earmarked Reserves:** the one-off funding of £183k from earmarked

reserves has been removed to rebase the budget for 2021/22.

- 6.17 **Reduction in Shared Staff Costs:** As part of the budget setting process for 2020/21, the HRA needed to take on a share of transition and service resilience cost pressures as well as a share of the temporary staff delivering the corporate change programme. This saving of £457k is the removal of these one-off cost pressures.
- 6.18 **Reduction In Staffing Costs:** this relates to the removal of a vacant post that is no longer required along with other full time equivalent (fte), scale point and off-scale adjustments.
- 6.19 **Capitalisation of Development and Construction Staff Costs:** as part of the Right To Buy (RTB) scheme eligible staffing costs are able to be capitalised and part funded using RTB Receipts. In light of the recently approved social housing development schemes a number of positions will be fundamental in the successful delivery of these schemes and therefore an approximate £200k of staffing costs will be able to be capitalised.
- 6.20 **CCTV Contract:** one-off savings of £15k have been identified from the under-utilisation of the camera maintenance sinking fund held by Sedgemoor as part of this contractual arrangement.
- 6.21 **Other Adjustments:** various budgets have been reviewed with many minor budget savings being offered up to an amount of £57k. This includes a reduction in the recruitment budget now that the majority of positions have been filled, a reduction in the training budget that has historically been underutilised and a reduction in the tenant forum budget which was used for small estates projects based on a new capital provision for Environmental Improvements. These adjustments can be made without impacting service delivery.
- 6.22 **Inflation on Depreciation:** Depreciation is transferred to the Major Repairs Reserve (MRR) and is used to fund the capital programme and/or repay debt. From 2017/18 depreciation has been required to be included within the HRA accounts on a component accounting basis. This means depreciation will need to be calculated on each of the major components of each house e.g. kitchen, bathroom, rather than being based on the Major Repairs Allowance (MRA), an estimation of the works needed to maintain the stock in good condition.
- 6.23 Depreciation is a year-end accounting adjustment that cannot be forecast with certainty prior to closing the final accounts. The estimated depreciation for 2021/22 is based on those calculations made for 2019/20 plus an allowance for sales and purchases during the year. This increase of £662k is in part a one-off catch up on inflation budgetary requirements as well as estimate for inflationary increases for next year's depreciation charges.
- 6.24 **Interest Payable:** The majority of existing external borrowing is based on fixed interest rates for the term of the loan, with only two loans based on variable rates of interest. Therefore we are able to predict the interest payment for these elements with a high degree of certainty. The HRA has since taken out a new loan of £10m reducing the amount of internal borrowing from the General Fund, which is charged at the average borrowing rate across the authority. The estimated budget for 2021/22 is £2,668,800 which is a decrease of £76k.

- 6.25 **Minimum general reserve balance:** Under the Council's wider Financial Strategy the

current minimum Operational Target is £2.4m and the Financial Resilience Target is £1.8m, for the HRA general reserve balance. We are now considering consolidating the two minimum reserve levels into one new one at a level of £2m; the amount is a balance between the risk of holding too much cash and therefore borrowing more than we need to and the ability to respond to unforeseen issues. Whilst also noting that we also have borrowing headroom in the business plan to allow us to increase borrowing should we need to.

7 Dwelling Rental Income

- 7.1.1 The Government introduced the Welfare Reform and Work Act 2016 Social Rent Reduction, which required all social housing landlords to reduce the rent payable by tenants by 1% each year for 4 years between April 2016 and April 2019 (excluding shared ownership homes and temporary accommodation). This superseded the Government's previous 10 year rent increase policy implemented in April 2015.
- 7.1.2 On 26 February 2019 the Ministry of Housing, Communities and Local Government confirmed that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020. The September 2020 CPI figure is 0.5% as published by the Office for National Statistics on the 21 October 2020.
- 7.1.3 The Regulator of Social Housing issued a new Rent Standard for 2020 under the direction of the Government. This new Rent Standard will now apply to all housing associations, whereas previously Local Authorities were excluded from such standards.
- 7.1.4 A separate Rent Setting Policy, covering the content and those elements proposed to be adopted by the Council from within the Regulator of Social Housing's Rent Standard 2020, was approved by Full Council in February 2020.
- 7.1.5 The Rent Setting Policy recommends that social rents for existing tenancies will be reviewed annually and any increases will not exceed the limit of Consumer Price Index (CPI) plus 1% for 5 years from April 2020.
- 7.1.6 Therefore in accordance with the Regulator of Social Housing's new Rent Standard from April 2020, Dwelling Rents for 2021/22 will increase by CPI+1%. Table 2 below shows

the average weekly rent for existing and new tenants.

Table 2: Average Weekly Rents

Tenancy Type		Average Weekly Rent 2020/21 (£)	Average Weekly Rent 2021/22 (£)	Average Change Per Week (£)
General Needs	Existing Tenants	84.28	85.54	1.26
	New Tenants	88.49	89.82	1.33
Sheltered/ Supported Housing	Existing Tenants	77.40	78.56	1.16
	New Tenants	85.14	86.42	1.28
Extra Care	Existing Tenants	77.49	78.65	1.16
	New Tenants	85.24	86.52	1.28

7.1.7 For comparison, table 3 shows the average weekly general needs social rent for SWT in comparison with other housing (association) providers in the Taunton Deane area. Please note that this data has been sourced from the Magna website¹ and we have inflated the data based on that applied to SWT rents since 31 March 2018 for comparison purposes. The data suggests that SWT is providing the lowest average weekly general needs social rents in the Taunton Deane area.

Table 3: Average Weekly Social Rents in the Taunton Deane Area

Taunton Deane	Average Weekly Rent (£) - 2020/21	Average Weekly Rent (£) - 2021/22
Aster Communities	107.72	109.34
Yarlington Housing Group	107.61	109.22
Curo Places Limited	106.62	108.22
Sanctuary Housing Association	95.40	96.83
Stonewater (3) Limited	95.10	96.53
Stonewater (5) Limited	94.56	95.97
Liverty Limited	93.57	94.97
Magna Housing Limited	92.61	94.00
Stonewater Limited	92.43	93.82
Places for People Living+ Limited	84.80	86.07
SWT	84.28	85.54

7.1.8 The increase in rental income generated year on year is vital to enable the HRA to deliver its aspirations and maintain business continuity over the long term. The HRA has an ambitious new build social development programme to add zero carbon homes to its housing stock. This will require significant investment and the need to use rental income

¹ <https://www.magna.org.uk/your-home/rent/how-our-rents-compare>

to fund interest payments on borrowing and the repayment of debt. Income is also required to finance the continued investment in maintaining our existing homes, other assets and neighbourhoods to a high standard with a comprehensive planned programme of expenditure, adaptations and routine repairs in place. The rental income will also enable the HRA to continue providing and improve upon the strong community support offered to tenants providing them with additional support to sustain individual tenancies as well as investing in a range of community based projects and groups.

7.1.9 The decision to inflate rents each year is difficult, even more so this year as our communities continue to respond to the challenges placed upon them as our economy moves back into a recession due to the impacts of COVID and Brexit. With 62% of our tenants having their rents funded through benefits, it is the 38% of self-funders we need to consider and the long term impact on the HRA business plan.

7.1.10 In terms of supporting our self-funders we have a range of options to help these tenants including debt and benefit advisers to enable tenants to manage their finances and to maximise the income available to them e.g. access to welfare benefits. We also have a dedicated team of officers who monitor arrears and engage frequently with this group of tenants to ensure early intervention if the tenants is experiencing financial difficulties. In addition to this the HRA make grant payments to external agencies such as Citizens Advice Bureau and also Inspire to Achieve who help tenants in our communities improve their employment opportunities. Further information can be found in the Equality Impact Assessment form in Appendix D.

7.1.11 The consequences of freezing rents will impact both the income generated in that financial year but also income generated in future years. As mentioned above in section 5.7, a sensitivity test was undertaken to assume that rents were frozen in 2021/22 and remained at the same levels of 2020/21. This increased peak debt as well as increasing debt at the end of the period. It also reduced the amount of money the HRA could borrow.

8 Non-Dwelling Rental Income and Service Charges Income

8.1 This incorporates income from non-dwelling rents (mainly garages but also shops, land access and meeting halls), charges for services and facilities, and contributions to HRA costs from leaseholders and council tenants. This accounts for approximately 8% (c£2.3m) of total HRA income.

8.2 These fees and charges can be approved by the S151 Officer under delegated powers set out in the Constitution. The exception is the setting of Dwelling Rents which will still be submitted for Full Council for approval as per section 7 above.

8.3 The HRA fees and charges have been approved by the Section 151 Officer for 2021/22. This has generated £97k of additional service charge income for 2021/22.

9 Housing Revenue Account Capital Programme for 2021/22

9.1 The draft HRA Capital Programme for 2021/22, that will deliver the capital investment proposed within the Business Plan, is £13.8m and is shown in table 4 below. This does not include social housing development schemes that have been previously approved.

9.2 The draft 10-Year HRA Capital Programme from 2021/22 to 2031/32, that will deliver the

capital investment proposed within the Business Plan, is shown in Appendix C.

Table 4: HRA Capital Programme for 2021/22

Capital Investment	Total Cost £000
Major Works	8,884
Fire Safety	202
Related Assets	100
Exceptional & Extensive	294
Vehicles	121
Aids & Adaptations & DFGs	370
Social Housing Development	3,830
Total Proposed HRA Capital Programme 2021/22	13,800

- 9.3 The estimated capital investment per scheme and the scheme itself is explained in more detail below. Whilst Officers have estimated the planned spend based on information currently available to them, these estimates are subject to change depending on contract negotiations, contractor availability, demand on the business, the condition of voids returned to the council and changing business priorities. Therefore any changes to the profile of spend between schemes will be subject to approval by the Housing Director and the Housing Portfolio Holder, and reported through the quarterly budget monitoring reports.
- 9.4 It is proposed that the HRA Capital Programme for 2021/22 shown above in table 4 will be funded from an appropriate combination of Major Repairs Reserves (from depreciation), revenue contributions, capital receipts, capital grants and borrowing.
- 9.5 A summary of the estimated funding profile for the 2021/22 capital programme is shown in the table 5 below. The final funding profile will be agreed by the Section 151 Officer as per the financial procedure rules.

Table 5: Capital Investment Funding Estimates

Capital Investment	Total Funding £000
Major Repairs Reserve	7,538
Revenue (RCCO)	-
Capital (RTB) Receipts	1,149
Capital (Non-RTB) Receipts	1,356
Capital Grants Receipts	244
Borrowing	3,514
Total Funding	13,800

9.6 Major Works

- 9.6.1 These schemes will be focusing on ensuring that a decent homes standard is maintained and that the housing stock major components are replaced periodically as per our capital works programme for 2021/22. This will also include unplanned major works on voids where the property is returned in a poor condition and requires a full re-work ahead of

the capital works programme.

- 9.6.2 The Major Works capital programme will be broken down into component schemes, with table 6 below showing the estimated amount to be spent on each scheme.

Table 6: Major Works

Capital Scheme	Total Cost £000
Kitchens	2,095
Bathrooms	1,020
Roofing	432
Windows	640
Heating (Open Vented)	878
Doors	100
Fasciae and Soffits	309
Ventilation	40
Door Entry Systems	400
Voids Kitchens and Bathrooms	329
Sewerage and Drainage	100
Water	169
Scaffolding	50
Heating for Warmer Homes	1,037
Environmental Improvements	100
Unadopted Areas	50
Electrical Works	466
Insulation	495
Other	175
Total	8,884

9.7 Fire Safety

- 9.7.1 The Fire Safety capital programme will be focusing on ongoing fire safety works and ensuring all housing stock continues to adhere to the fire safety regulations. The proposed capital investment will be £202k.

9.8 Related Assets

- 9.8.1 The Council also owns a number of related assets in addition to the housing stock. These include garages, meeting / community halls and shops. The proposed capital investment of £100k will ensure that these assets are maintained as required.

9.9 Exceptional Extensive Works

- 9.9.1 The proposed capital investment of £294k will be used for asbestos removal.

9.10 Disabled Facilities and Aids and Adaptations

- 9.10.1 This is an annual recurring budget for small and large scale home aids and adaptations in tenants' homes where there are mobility issues. This budget is demand led by

requests from tenants or through recommendations by occupational therapists or other healthcare professionals. Applications are made through the Somerset West Private Sector Housing Partnership. The capital investment for 2021/22 will be £370k.

9.11 Vehicles

- 9.11.1 The service uses a combination of both owned and leased vehicles depending on the complex nature of the vehicle requirements, to deliver services to our tenants. The proposed capital investment of £121k per year is to cover the replacement cost of owned vehicles on a cyclical basis.

9.12 Social Housing Development

- 9.12.1 The HRA has four pre-approved social housing development schemes (Zero Carbon Pilot, Seaward Way, Oxford Inn and North Taunton Regeneration Project) which should meet our total spend requirements for 2021/22 under the RTB “1-4-1 Agreement” (explained in section 9 below).
- 9.12.2 However a proposed budget of £3.83m has been included within the capital programme to represent the 2021/22 RTB spend requirement. This will provide the service flexibility to ensure this is achieved through alternative means in case the delivery of any of the schemes are delayed through any unforeseen circumstances. This would be funded 30% from retained RTB capital receipts and the remainder from borrowing.

10 HRA Borrowing

- 10.1 In 2012 the Council took out additional external borrowing of £85.198m as part of the self-financing settlement with the Government. This meant that the total debt owed by the HRA at the start of self-financing was £99.649m (which included £9m of pre self-financing loans and £5.451m of internal borrowing).
- 10.2 As part of the self-financing agreement, an individual housing revenue borrowing cap of £116m was implemented for TDBC. This meant that the HRA was unable to exceed capital borrowing of £116m within the HRA Business Plan. Although the Government abolished the HRA Debt Cap in October 2018, it is proposed to set a prudent debt cap for the HRA.
- 10.3 The total capital borrowing requirement (debt balance) owed by the HRA at the start of 2020/21 was £108m. This was financed by £79m of existing external loans, with the balance funded through internal borrowing. During the year the HRA has taken out a new external loan of £10m for 50 years secured at 1.64%.
- 10.4 The HRA 2020 Business Plan assumes that there will be a significant increase in new borrowing over the next 10 years to meet the increased ambitions for capital investment. This will result in additional cost pressures to cover the financing of this new investment and refinancing of existing loans.
- 10.5 The budgeted annual provision of £1.821m for the repayment of debt will be used to repay existing debt, finance any new external borrowings as required or to reduce the year-on-year capital financing requirement. Any surplus funds from the revenue account will be used to protect reserves in the first instance but will then be used to reduce future capital financing requirements.
- 10.6 As mentioned in section 3, the HRA is currently facing, following the

announcement in the 2020 Spending Review 2020, is that the HRA is unable to access borrowing from PWLB during periods when the Council is also undertaking capital investment in assets primarily for yield.

- 10.7 The Section 151 Officer is working with Arlingclose, the Council's Treasury advisors, to explore alternative sources of borrowing and ensure that the HRA is able to refinance the existing loans as they fall due over the next 10 years and take out new borrowing to fund approved social housing development schemes in a way that minimises debt costs and risk. The risk is that this may take longer to arrange long term finance and that the rates will be uncertain as they will be determined by the market.
- 10.8 The funding and cash flow implications of the HRA 2020 Business Plan will be managed in line with the Council's Capital, Investment and Treasury Strategies which is approved before the start of each year.

11 Right to Buy (RTB) Receipts

- 11.1 The RTB scheme is a Government scheme that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The scheme saw the maximum discount increase significantly in 2012 to up to £75,000 followed by a steady increase year on year to up to £84,200 in April 2020.
- 11.2 Taunton Deane Borough Council signed up to a "1-4-1 Agreement" with the Treasury/MHCLG to retain a higher proportion of RTB the additional receipts on the proviso, and agreed that these receipts would be used to fund new social housing. This agreement continues now under SWT until such time as the Council decides to opt out. Only a small percentage of receipts from RTB sales are retained by the Council. These additional RTB receipts can only account for 30% of spend on new social housing costs, with the remaining 70% coming from other funds such as revenue funding or borrowing.
- 11.3 The RTB receipts cannot be used in the same scheme as other Government funding such as grants from Homes England. They must also be spent within three years of the capital receipt, or must be returned to Government with interest at 4% over base rate from the date of the original receipt. Receipts can be returned to Government in the quarter in which they are received with no interest payable.
- 11.4 Alternatively, the 30% RTB funding could be granted to and used by Housing Associations in the area, providing they meet the same match funding requirements. The new housing doesn't need to be provided by the Council.
- 11.5 To date, the Council has successfully spent all of their retained 1-4-1 receipts resulting in no returns being made to the Treasury/MHCLG.
- 11.6 **RTB Receipts Year to Date:** Table 7 below shows the number of RTB sales, the total (capital) receipts received under the new RTB discount scheme, the Council retained 1-4-1 receipts to be used for new social housing, and the total amount that would need to be spent by the Council in order to fully retain them.

Table 7: Right to Buy Receipts

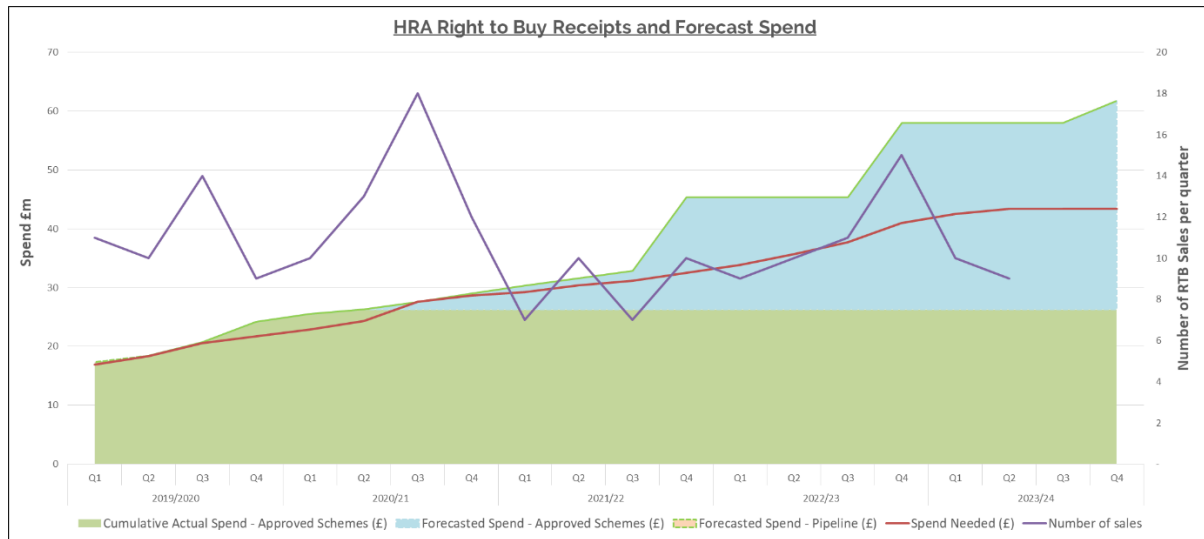
	Total 2012/13	Total 2013/14	Total 2014/15	Total 2015/16	Total 2016/17	Total 2017/18	Total 2018/19	Total 2019/20
Sales	37	47	35	38	44	53	34	45
Total Receipts (£k)	2,330	2,705	2,317	2,666	3,568	3,971	2,576	4,286
1-4-1 Receipts (£k)	1,234	1,230	1,005	1,193	1,864	2,069	1,149	2,547
1-4-1 Receipts Spend - Per Year (£k)				1,234	1,230	1,005	1,193	1,864
Match Funding Spend - Per Year (£k)				2,879	2,871	2,345	2,783	4,349
Total Spend Required - Per Year (£k)	-	-	-	4,112	4,102	3,350	3,976	6,213
Total Spend Required - Cumulative (£k)	-	-	-	4,112	8,214	11,563	15,539	21,752

	Total 2019/20	Total 2020/21	Total 2021/22	Total 2022/23
Sales	45	40	40	32
Total Receipts (£k)	4,286	2,918	2,918	2,300
1-4-1 Receipts (£k)	2,547	1,458	1,458	1,200
1-4-1 Receipts Spend - Per Year (£k)	1,864	2,069	1,149	2,547
Match Funding Spend - Per Year (£k)	4,349	4,829	2,681	5,943
Total Spend Required - Per Year (£k)	6,213	6,898	3,830	8,490
Total Spend Required - Cumulative (£k)	21,752	28,650	32,480	40,970

[Note that the grey data is estimated.]

- 11.7 **Forecast Spend of RTB Receipts:** The spend year to date and the current forecast spend can be shown in graph 1 below. The COVID-19 pandemic has significantly impacted the ability to meet our 1-4-1 spend requirement this year, especially in the latter two quarters. The government has provided a temporary extension to retention agreement allowing us to the 31 March 2021 to spend our annual spend requirement. The estimated spend on approved schemes and additional open market buybacks, will just be sufficient to meet the RTB match funding requirements to quarter 4 of 2020/21.
- 11.8 Looking forwards over the next three years, there are a sufficient approved new build schemes that, if delivered on time, will see our RTB match funding requirements achieved for the next three years.
- 11.9 This will support the aspiration for an additional 1000 homes in the next 30 years, being able to achieve this with 30% match funding from RTB Receipts, whilst ensuring we do not have to return our RTB receipts (plus interest) back to the Government.
- 11.10 However this will require significant borrowing, which is now possible since the removal of the debt cap, and will have to be managed carefully within the overall 2021 Business Plan to ensure that the revenue account can fund the interest payments and principal loan repayment.

Graph 1: Right to Buy Receipts and Forecast Spend



12 Links to Corporate Strategy

12.1 The budget proposals for 2021/22 have been prepared in line with the HRA 2021 Business Plan and Corporate Strategy².

13 Finance / Resource Implications

13.1 This is a finance report and therefore no further finance comments are required.

14 Legal Implications

14.1 The HRA is governed by the following legislations:

- Housing Act 1985 (Part II)
- Housing Act 1988
- Local Government and Housing Act 1989 (section 74)
- Local Government Act 2003
- Localism Act 2011

14.2 The introduction of the Local Government and Housing Act 1989 meant that the HRA was now required to become a 'ring-fenced' account, completely separated from the GF. As a consequence local authorities can only include items in the HRA for which there is statutory provision, and transfers of income and expenditure between the HRA and the General Fund are only allowed in very specific circumstances. In essence, rents cannot be subsidised by transfers from the General Fund, and Council Tax cannot be subsidised by transfers from the HRA.

14.3 The introduction of the Localism Act 2011 reformed local authority housing financing with the abolition of the national subsidy system and a move to 'self-financing' from April 2012. This meant that local authority housing revenue accounts are able to retain all rental income to meet the costs of managing and maintaining their housing stock.

15 Climate and Sustainability Implications

- 15.1 As part of the HRA 2020 Business Plan review a “Strategic Asset Investment Proposal For Housing In Relation to Achieving Affordable Warmth & Carbon Neutrality (Retrofit Strategy)” report was commissioned. This report was produced to inform the Council on how they could achieve carbon neutrality within the housing stock by 2030 as recommended within the “SWT Carbon Neutrality and Climate Resilience Plan”.
- 15.2 As part of the Major Works capital programme, the HRA will be looking to replace components in a thermally efficient way where possible, for example installing air source heat pumps, external wall insulation and thermally efficient windows.

16 Safeguarding and/or Community Safety Implications

- 16.1 The HRA has an ongoing responsibility for the safeguarding of vulnerable people within its communities. There are no changes proposed within this report.

17 Equality and Diversity Implications

- 17.1 The Housing Specialist has assessed the proposals presented within this report as driven by the HRA 2020 Business Plan and Rent Policy. An equality impact assessment form can be found in Appendix D.

18 Social Value Implications

- 18.1 Our approach to social value will encompass the full procurement and commissioning cycles, service planning and review, decision making and policy development as described in the Council’s Social Value Statement (Social Value within Procurement - June 2018).

19 Partnership Implications

- 19.1 The HRA budget includes significant expenditure on services provided by MIND, citizen’s advice, Inspire to Achieve, Taunton East Development Trust, North Taunton and Wiveliscombe Area partnership.

20 Health and Wellbeing Implications

- 20.1 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.

21 Asset Management Implications (if any)

- 21.1 This report includes a section relating to the capital programme for 2021/22 and therefore no further comments are required.

22 Data Protection Implications

- 22.1 None for the purposes of this report.

23 Consultation Implications (if any)

- 23.1 Consultation will be undertaken with tenants through the Tenants Strategic Group.

24 Scrutiny/Executive Comments / Recommendation(s) (if any)

24.1

Democratic Path:

Committee / Board	Yes / No	Date
Tenants Strategic Group	Yes	25 Jan 2021
Scrutiny	Yes	27 Jan 2021
Executive	Yes	9 Feb 2021
Full Council	Yes	18 Feb 2021

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	HRA Forecast Update Report by Altair
Appendix B	HRA Revenue Budget and Medium Term Financial Plan
Appendix C	HRA 10-Year Capital Programme From 2021/22
Appendix D	HRA Equality Impact Assessment Form

Contact Officers

Name	Kerry Prisco – Finance Business Partner
Direct Dial	01823 218758
Email	k.prisco@somersetwestandtaunton.gov.uk

Name	James Barrah – Director of Housing & Communities
Direct Dial	01823 217553
Email	j.barrah@somersetwestandtaunton.gov.uk

Name	Stephen Boland – Housing Landlord Specialist
Direct Dial	01823 219503
Email	s.boland@somersetwestandtaunton.gov.uk

APPENDIX A

HRA Forecast Update Report by Altair

[Please find included as a separate document.]

APPENDIX B

HRA Revenue Budget for 2021/22 and Medium Term Financial Plan

	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
	£000	£000	£000	£000	£000	£000
Income						
Dwelling Rents	- 24,225 -	24,951	- 25,682 -	26,533	- 28,315 -	28,712
Non Dwelling Rents	- 719 -	704	- 713 -	724	- 737 -	748
Service Charges	- 1,457 -	1,623	- 1,661 -	1,702	- 1,750 -	1,794
Other Income	- 371 -	389	- 396 -	404	- 413 -	422
Total Income	- 26,773 -	27,668	- 28,452 -	29,364	- 31,215 -	31,676
Expenditure						
Repairs and Maintenance	5,901	6,795	6,917	7,055	7,218	7,387
Supervision and Management	3,905	3,731	3,817	3,912	4,022	4,122
Rents, Rates, Taxes and Other Charges	311	305	311	317	324	331
Special Services	1,058	1,058	1,083	1,110	1,141	1,169
Bad Debt Provision	180	180	180	180	180	180
Contribution to CDC	229	229	233	238	243	248
Transfer to GF	3,622	3,216	3,274	3,340	3,416	3,485
Total Expenditure	15,206	15,515	15,815	16,152	16,544	16,922
Other Expenditure						
Depreciation - dwellings	6,511	7,342	7,474	7,624	7,799	7,955
Depreciation - non dwellings	490	321	327	333	341	348
Interest Payable	2,745	2,669	3,343	3,580	3,690	4,294
Investment Income	-	-	-	-	-	-
Provision for Repayment of Debt	1,821	1,821	1,821	1,624	2,733	2,018
Revenue Contribution to Capital	-	-	-	-	-	-
Movement in Reserves						
Total Other	11,566	12,153	12,965	13,161	14,564	14,615
Total - (surplus) / deficit	-	-	328	- 51	- 107	- 138

APPENDIX C

HRA 10-Year Capital Programme from 2021/22

HRA Capital Investment (£'000)										
Capital Investment	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2031/32
Major Works	8,884	8,116	7,987	7,785	7,573	7,573	7,573	7,573	7,573	7,573
Fire Safety	202	190	170	155	145	145	145	145	145	145
Related Assets	100	100	65	47	35	35	35	35	35	35
Exceptional & Extensive	294	159	144	124	89	89	89	89	89	89
Vehicles	121	121	121	121	121	121	121	121	121	121
IT Programme	-	-	-	-	-	-	-	-	-	-
Aids & Adaptations & DFGs	370	370	370	370	370	370	370	370	370	370
Social Housing Development	22,763	27,276	11,280	9,038	11,040	10,040	11,410	-	870	-
Total Investment	32,733	36,332	20,137	17,640	19,373	18,373	19,743	8,333	9,203	8,333

Funding	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2031/32
Major Repairs Reserve	7,342	7,642	7,942	8,242	8,542	8,842	9,142	8,333	9,124	8,333
Revenue (RCCO)	528	-	-	-	-	-	-	-	-	-
Capital (RTB) Receipts	5,580	6,240	1,076	1,002	1,095	864	1,031	-	79	-
Capital (Non-RTB) Receipts	1,356	-	-	-	-	-	-	-	-	-
Capital Grants Receipts	244	-	-	-	-	-	-	-	-	-
Borrowing	17,684	22,449	11,118	8,395	9,736	8,667	9,570	-	-	-
Total Funding	32,733	36,332	20,137	17,640	19,373	18,373	19,743	8,333	9,203	8,333

APPENDIX D

HRA Equality Impact Assessment Form

[to follow]

Somerset West and Taunton Council

HRA Forecast Update

Report version 2

7 January 2021



Somerset West
and Taunton

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1 | Executive Summary

- 1.1. We have produced an updated set of Baseline forecasts for the authority's housing revenue account. These forecasts reflect updated budget information provided by the council for its existing housing stock and services, plus its delivery plans.
- 1.2. Alongside the Baseline scenario we have explored the effects of extending the new build programme so that it delivers 1,000 units over the planning period. We have also provided a commentary on the effects of substantial additional spending pressures, such as the potential for a requirement to retrofit homes to a zero carbon standard.
- 1.3. The updated Baseline we have projected for the HRA shows the authority to be in a strong starting position. It is able to deliver a substantial medium term programme of new build schemes, using a combination of the available resources plus external borrowing, and repay most of the additional debt required by the end of the forecast period. Throughout the Baseline forecast the HRA is able to operate well within its means, with further headroom available should it need to respond to unexpected changes in circumstances. The authority's ability to deliver 1,000 new units within 30 years is also reasonable, though debt levels start to rise at the end of the forecast and so the authority should consider taking appropriate mitigating actions.
- 1.4. The introduction of substantial additional spending pressures (such as the delivery of a zero carbon retrofit programme) has the potential to present a more challenging situation. If such pressures are not accompanied by additional resources or compensating cost reductions there is potential for the HRA to be left with little or no "wriggle room". Under these circumstances the authority might need to reconsider and scale back its aspirations for delivering a long term development programme.
 - 1.4.1. Sensitivity analysis shows that the HRA forecasts are very sensitive to changes in the levels of income generated and costs incurred. Relatively small changes in these assumptions can have a substantial long term impact on the financial capacity of the HRA. We therefore recommend that the authority routinely seeks to optimise income and minimise costs as part of its approach to maximising the long term financial capacity of the HRA.

2 | Methodology

- 2.1. We have prepared an updated set of Baseline 30 year HRA forecasts, using revised budgets provided by council officers and the Housing Finance Associates HRA business plan model.
- 2.2. In addition to the updated Baseline we have prepared a scenario that extends the new build programme to deliver 1,000 units over 30 years, in line with stated Council policy.
- 2.3. We have considered the impact of the Baseline and scenario on the following measures, when assessing its impact on affordability and financial sustainability:
 - The minimum balance maintained by the HRA
 - The level of the HRA capital financing requirement (HRA CFR), which measures HRA-related debt
 - The ability to generate net income that is 125% or more of the cost of interest paid on HRA debt (interest cover). This measure is widely used by housing associations, and indicates the ability to pay for debt-related costs
 - HRA debt as a proportion of HRA asset values (gearing)
 - Unused borrowing capacity available to the authority (headroom)
 - The ability to repay or reduce HRA debt
- 2.4. To provide further context we have also conducted a series of sensitivity tests on the updated Baseline position. These tests project the impact of:
 - Keeping rents at 2020/21 levels in 2021/22 (a one year rent freeze)
 - Interest rates on new loans increase by 1% (cost of borrowing rises)
 - Costs increase by ½% more than expected from 2022/23 until 2026/27 (cost increases)

3 | Key assumptions

3.1. Source documents

3.1.1. The updated forecasts have been prepared with a 2020/21 price base using the following information:

- The revised 2020/21 HRA revenue budget and proposed budget for 2021/22 prepared for presentation to the Council in February 2021.
- A 10 year capital programme, provided by council officers
- The development programme, provided by council officers and reflected in the 10 year capital programme.
- Long term stock condition investment requirements, provided by council officers, which we have supplemented with a contingency of £2.000m pa from 2031/32. This contingency allows for potential weaknesses in the underlying stock condition data, which we understand is due to be refreshed.
- Inflation projections that reflect the statistics published in October 2020 by the Office for National Statistics (September Consumer Prices Index - CPI) and HM Land Registry (August House Price Index).
- Provision for a 1.5% rent increase in April 2021. This is the maximum rent increase permitted under the Rent Standard and reflects CPI +1%.

3.2. Development programme

3.2.1. The focus of the Baseline development programme has been narrowed so that it covers the provision of committed and likely schemes over the first 10 years of the forecast. As a result it excludes:

- The £1.900m provisional scheme at Oake
- Aspirations to provide any additional units

3.3. Capital financing and use of resources

3.3.1. We have modified the authority's approach to financing its capital programme to allow for the application of multiple resource streams, as follows:

- Major repairs reserve
- Hinckley Point C Fund
- Capital Grant
- S106 funding
- Retained 141 RTB receipts
- Revenue contributions
- Borrowing

3.3.2. Borrowing is the last resource stream that is available to finance the capital programme, and is only available for as long as the HRA is able to provide interest cover of at least 125%. If the authority is unable to provide this minimum level of interest cover, any unfinanced capital programme is automatically rescheduled to a

later year with available headroom.

- 3.3.3. The revised forecasts allow for the authority to utilise HRA resources to help keep the use of borrowing to a minimum. The key assumptions here are
- Allowable Debt and LA Share receipts arising from right to buy sales are all set aside for debt repayment until all debts have been covered, and are then available to finance the HRA capital programme
 - Any balance on the major repairs reserve is available to repay debt, as required
 - Revenue balances above a minimum level of £2.000m (plus inflation) are available for debt repayment, as required
- 3.4. Debt and interest rates
- 3.4.1. Existing HRA-related loans are repaid using the available resources at their due date. If there are insufficient resources to repay a loan in full, the balance is refinanced with a new replacement loan.
- 3.4.2. The HRA attempts to repay any new loans as quickly as possible, whether the new loans are required to finance the capital programme or refinance existing debt. This allows the forecast to provide a clearer indication of the affordability of the authority's spending plans. This assumption is not intended to replace the financing decisions that the authority's Finance team will take (with appropriate treasury advice) when any borrowing is undertaken.
- 3.4.3. The interest rate assumed for new loans is 2.0% until 2024/25, rising to 2.5% from 2025/26.
- 3.5. Rents
- 3.5.1. Rents rise each April in line with the maximum level permitted by the Rent Standard, which is currently set at CPI+1% (based on CPI in September the previous September). We have assumed that CPI +1% rent increases will continue until 2024/25, which coincides with the end of the Government's stated five year policy. From 2025/26 the forecasts assume that rent increases reflect CPI.
- 3.5.2. Existing properties are re-let at their formula rent, with an allowance for rent flexibility (as permitted under the Rent Standard). Rent flexibility for general needs properties is set at 5% above the formula rent, and for supported housing (i.e. sheltered and extra care) and additional 10% above the formula rent is allowed for rent flexibility. The re-let rate for existing homes is 7% for general needs and 10% for supported housing.
- 3.5.3. Rent loss as a result of voids reflects the budget for 2020/21 and 2021/22, and has then been assumed at 2% of gross rental income.

3.6. Stock movements

3.6.1. Right to buy sales are forecast to occur evenly throughout each year, as follows:

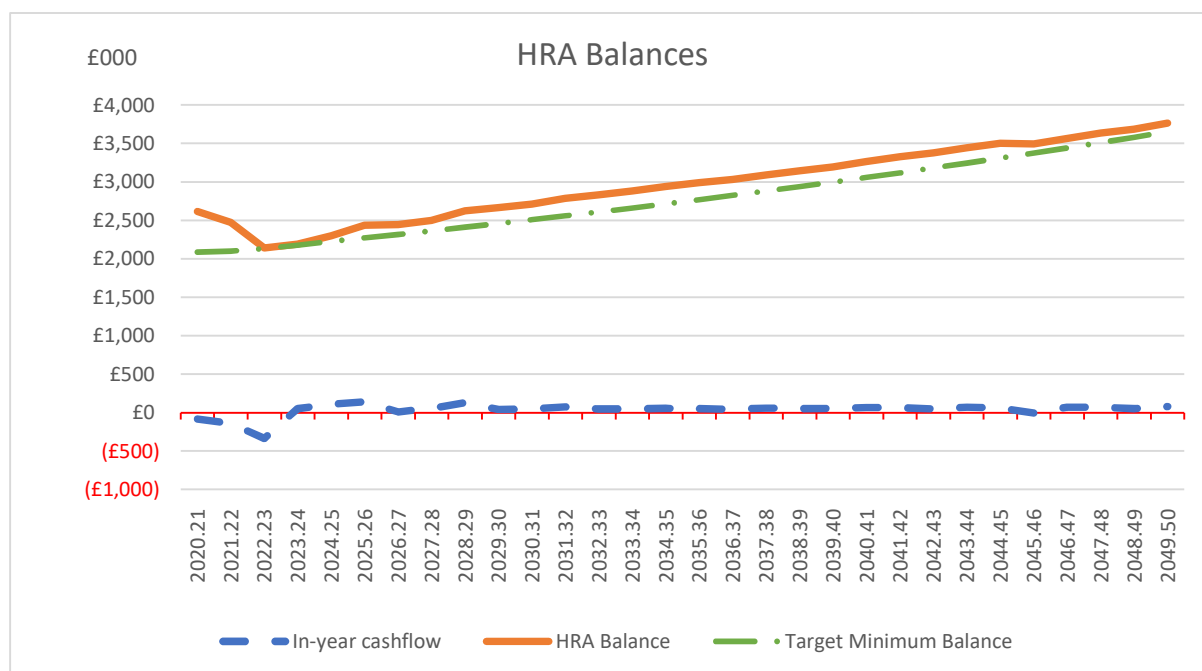
- 40 sales in 2020/21 and 2021/22
- 32 sales in 2022/23
- 28 sales in 2023/24
- 24 sales in 2024/25
- 20 sales a year from 2025/26 until 2027/28
- 18 sales a year from 2028/29 until 2030/31
- Thereafter reducing by 1 sale a year every three years

3.6.2. A total of 83 units marked for regeneration on the North Taunton Estate are currently in use, the remainder having already been vacated. The forecast removes these units from management in line with the profile provided by council officers.

4 | Baseline

4.1. Baseline – revenue position

- 4.1.1. The housing revenue account maintains a minimum balance of around £2.000m (plus inflation), as indicated below:

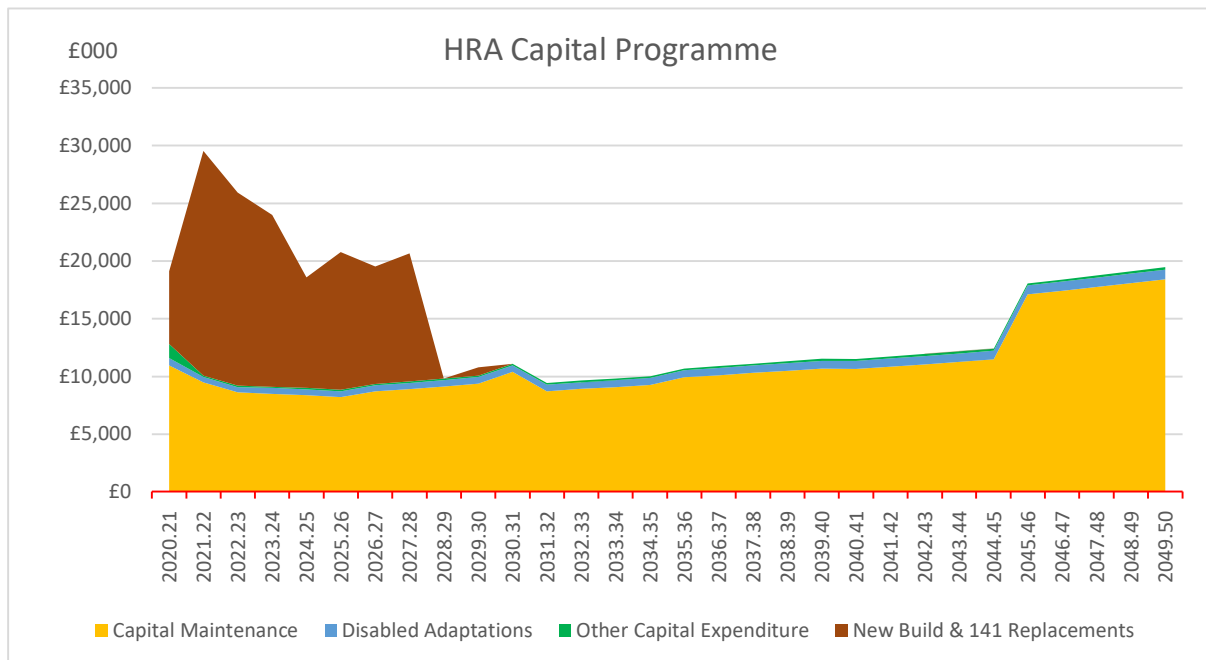


- 4.1.2. In this chart the orange line forecasts the accumulated balance at the end of each year and the blue line shows the in-year use or generation of balances.

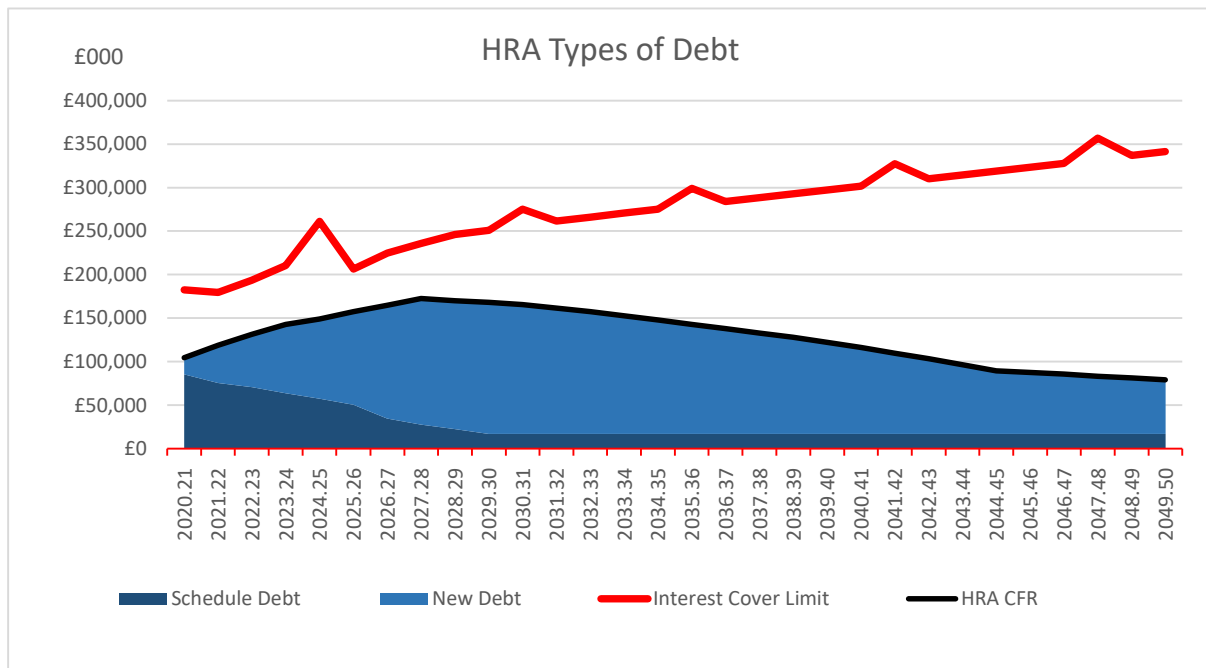
- 4.1.3. The authority maintains the HRA Balance at the minimum level throughout the forecast. During this period any “excess” rents generated are made available to repay debt.

4.2. Baseline – capital programme

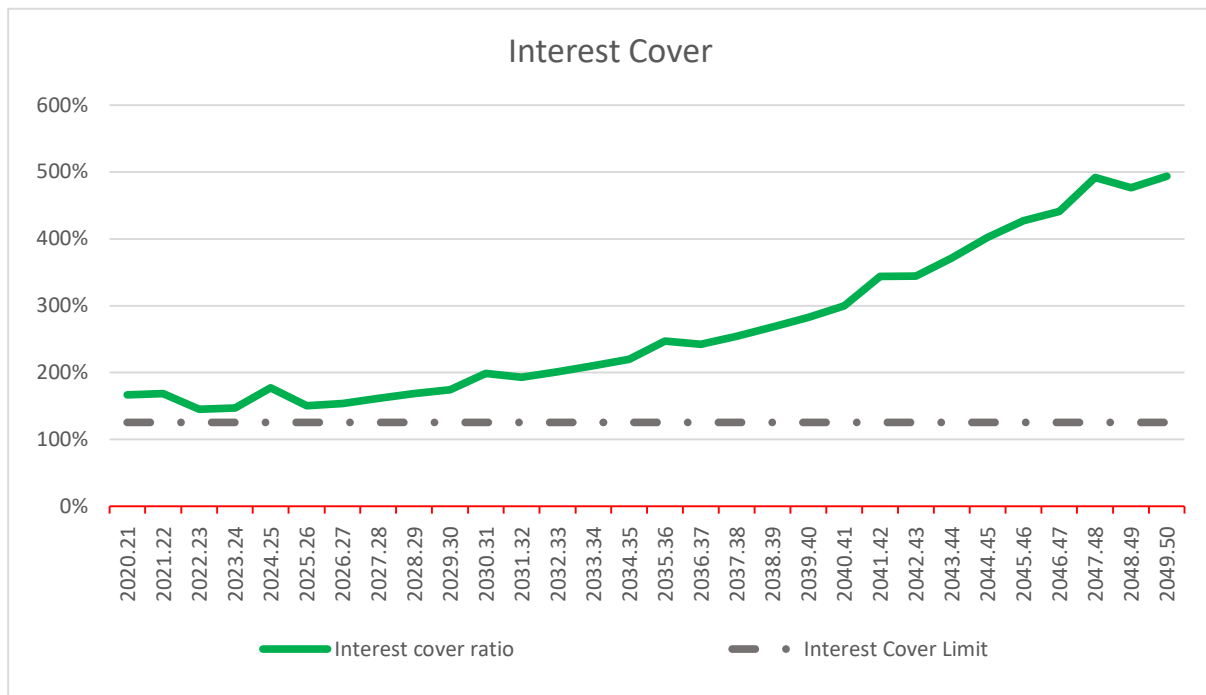
- 4.2.1. The next chart represents the Authority's Baseline ability to deliver its HRA capital programme within the available resources. This chart shows the capital expenditure required each year, identifying the main types of expenditure separately:



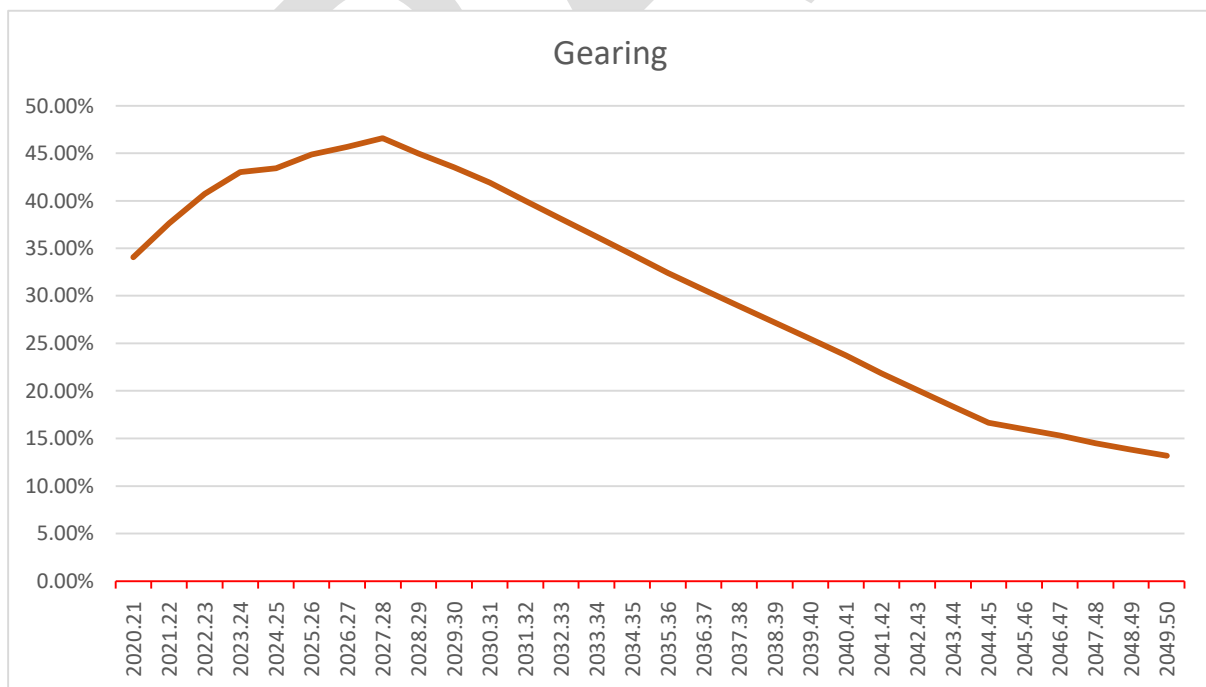
- 4.2.2. The baseline allows for new build and stock purchase projects that produce 374 new properties by 2027/28 (brown area), while continuing to maintain the existing stock (amber area). The investment requirement for the existing stock steps up significantly in the last five years of the forecast as a result of component replacements that are expected to become due.
- 4.2.3. The Authority can finance the capital programme fully from the resources that are at its disposal, with use of additional borrowing.
- 4.3. Baseline – debt
- 4.3.1. The next chart forecasts movements in the level of HRA debt (black line) during the planning period:



- 4.3.2. The dark blue area in this chart relates to existing loans. We have assumed that these loans will be repaid in line with the existing debt schedule, if the authority can afford to do so. The mid-blue area shows additional loans that the authority needs to undertake to pay for the capital programme or to refinance any loans that it cannot repay at their due date.
- 4.3.3. Peak debt of £172.633m is reached in 2027/28, after which the authority starts to reduce its HRA-related borrowing. Revenues are strong enough for the authority to repay most of its debt, with residual loans of £79.216m outstanding by the end of the period. It is noticeable that the rate of repayment slows over the last five years of the forecast, which coincides with an increase in the stock investment required.
- 4.3.4. The authority remains within any limit on HRA debt set by a minimum interest cover requirement of 125% (red line). The chart below provides further details and shows how the situation improves during the course of the forecast:



- 4.3.5. Gearing is a separate measure shows how much of the value of HRA assets is being used to cover HRA-related debt. The council has no local “rule” for the optimal gearing level. It is shown here because it indicates the level of HRA indebtedness, compared to the value of its housing assets. The Baseline shows peak gearing of 46.62% in 2027/28, reducing to 13.20% by the end of the forecast, as shown below:

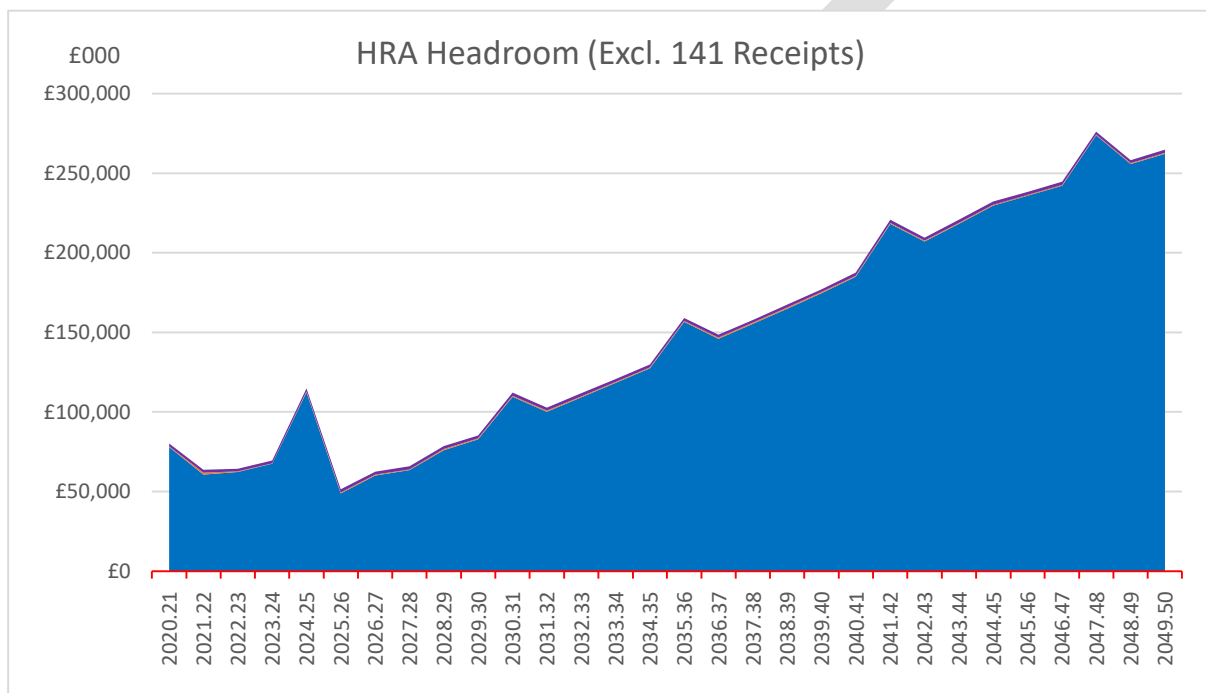


- 4.3.6. This is broadly equivalent to an owner occupier having a mortgage that comes to 46.62% of the value of their home.

4.3.7. The Baseline position generates sufficient resources for the Authority to be able to repay any additional debt required to deliver the capital programme within a comfortable timeframe, while remaining above the limit set for providing interest cover and maintaining a good level of gearing. This represents an affordable and sustainable situation.

4.4. Baseline – headroom

4.4.1. Financial headroom available to the authority fluctuates during the course of the forecasts, as indicated by the chart below:



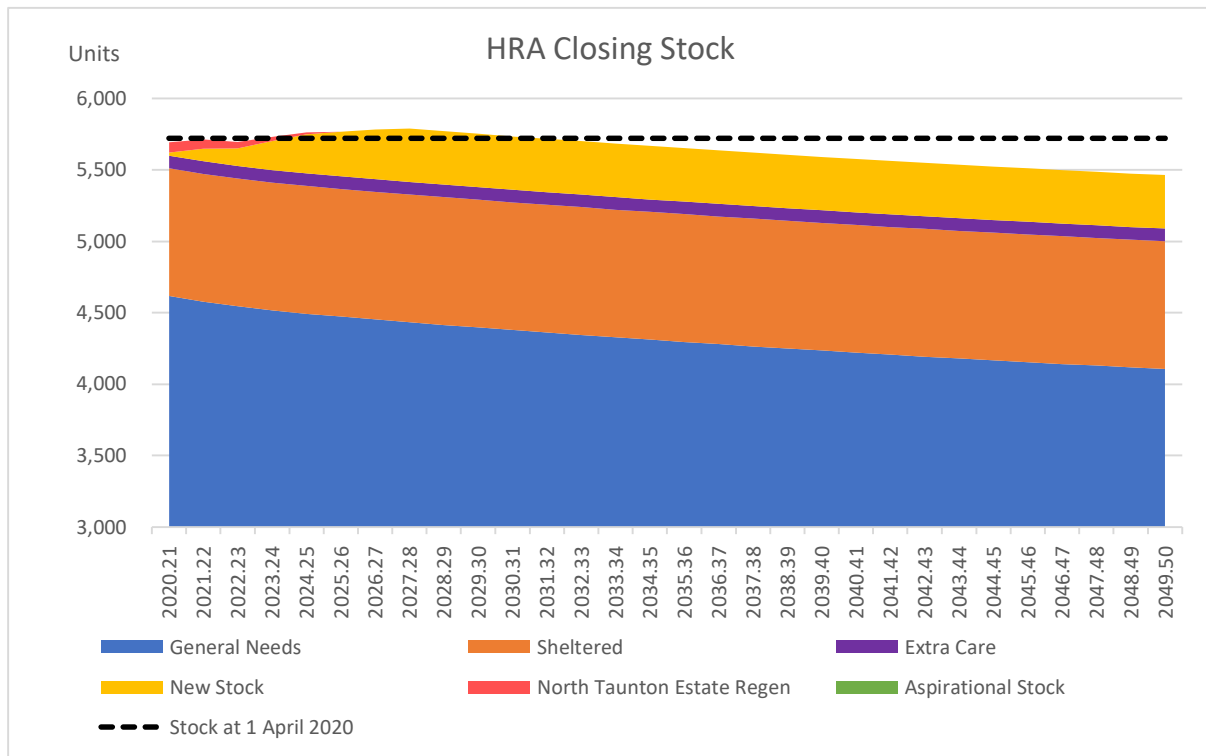
4.4.2. The blue area in this chart represents the gap between the HRA CFR (HRA-related debt) and the interest cover limit shown on the debt chart. Other resources that are generated by the HRA are fully utilised.

4.4.3. At its lowest point the headroom chart shows the additional borrowing that the HRA could draw upon, if necessary, without exceeding its locally set interest cover limit. This borrowing headroom is £48.882m in 2025/26. The reduction in headroom that occurs in that year coincides with an increase in the interest rate assumed for new borrowing (which reduces interest cover performance), and comes two years before the end of the development programme. There are occasional peaks in the projected headroom for an individual year, which coincide with years where there are 53 rent weeks. In these years the Authority generates slightly more rental income, which causes a small blip in its interest cover performance.

4.4.4. The Baseline leaves the authority with a reasonable level of spare borrowing capacity, which would be available for use in response to emerging circumstances.

4.5. Baseline – stock

- 4.5.1. The final chart shows the movement in stock numbers, taking into account the expected new units and the effects of continuing RTB sales:



- 4.5.2. This chart projects an initial period of growth in stock numbers, while the programme is delivered, reaching a peak of 5,834 units at the end of 2027/28. From 2028/29 the number of homes declines each year from continuing right to buy sales, with the number of dwellings staying at or above current levels (shown by the black dashed line) until 2033/34. By the end of the 30 year forecast the stock drops to 5,155 units.

4.6. Baseline – summary

- 4.6.1. The baseline presents a comfortable starting position, in which the authority is able to deliver a substantial medium term development programme, while maintaining its existing stock and repaying any debt required to finance the capital programme.
- 4.6.2. There may be scope for the authority to improve on this position by adopting an active approach to managing its costs, while optimising its potential for generating income.

5 | Delivery of 1,000 units

5.1. Delivery of 1,000 units – assumptions

5.1.1. This scenario allows for extension of the programme for delivering new units so that 1,000 additional homes are provided over 30 years.

5.1.2. The units have been added in line with details provided by council officers. They include the existing £1.900m provisional scheme at Oake, plus an allowance for further notional projects. The additional new projects are delivered between 2024/25 and 2049/50.

5.1.3. The Delivery of £1,000 Units scenario adds a further 626 units to those delivered under the Baseline. Of these, 169 would be let at social rent with the remaining 457 at an affordable rent.

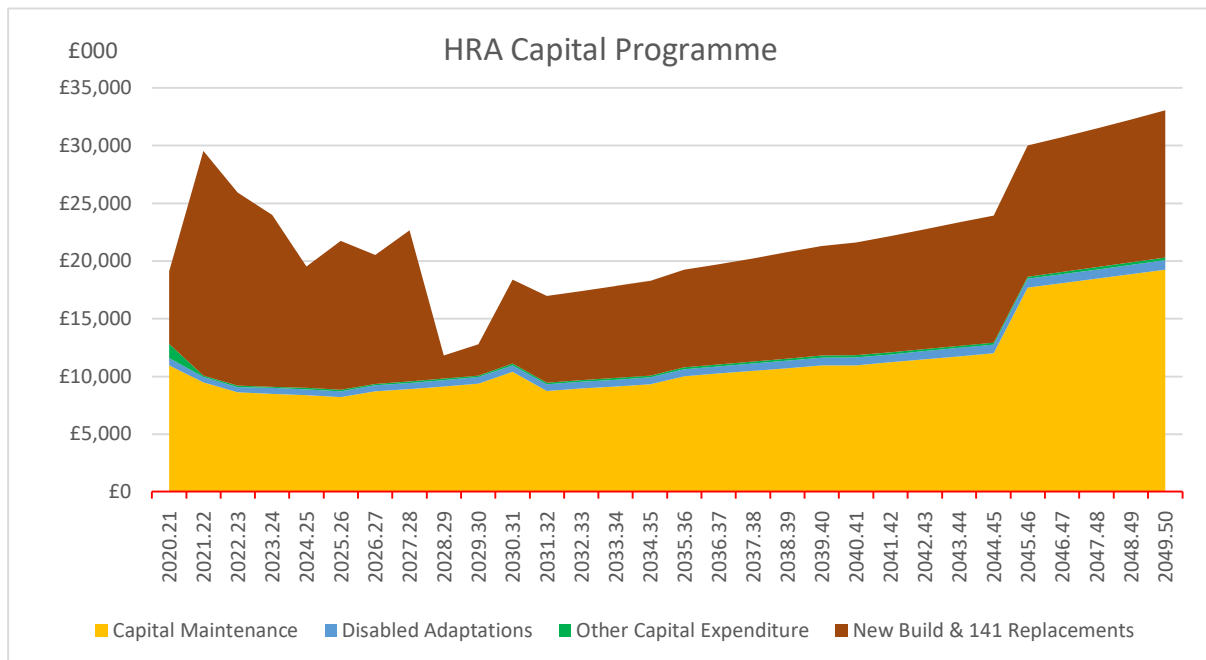
5.1.4. All other assumptions remain as for the Baseline position.

5.2. Delivery of 1,000 units – revenue position

5.2.1. The revenue position under this scenario does not change substantially from the Baseline. The HRA maintains the minimum level of balances and uses any sums above that level to repay debt or finance the capital programme.

5.3. Delivery of 1,000 units – capital programme

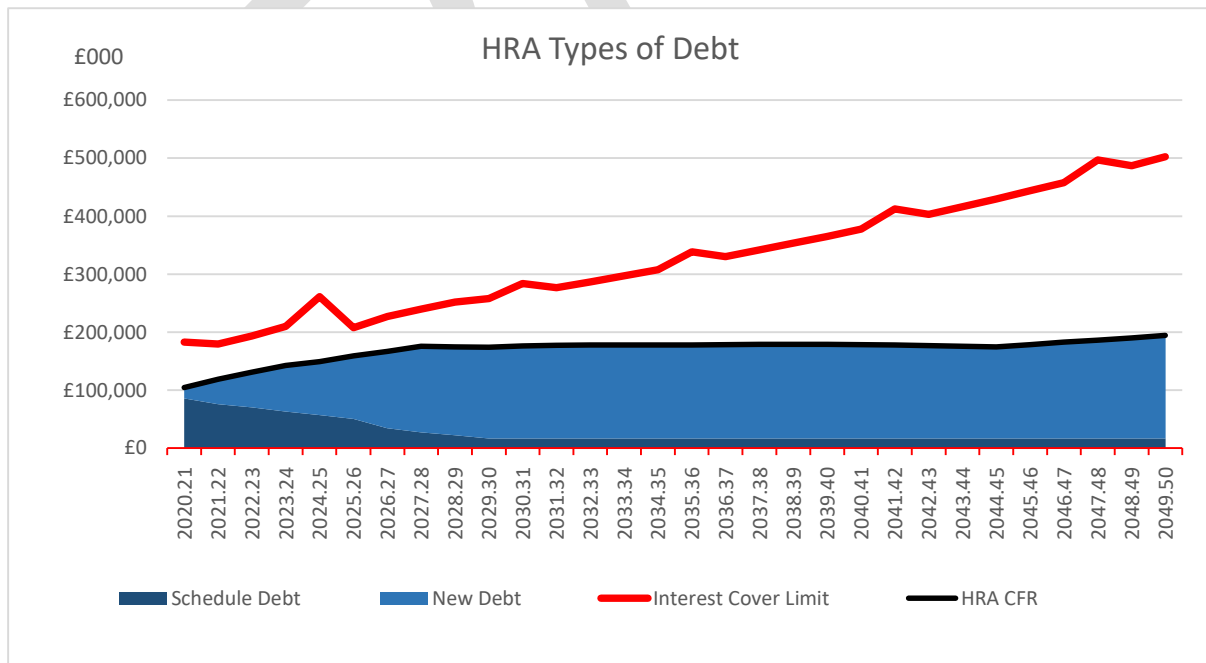
5.3.1. Extending the programme of adding new units through new build and acquisition schemes increases the scale of the capital programme throughout the period, as reflected in the chart below:



5.3.2. This scenario adds to the expenditure on New Build and 141 Replacements, which is shown by the brown area.

5.4. Delivery of 1,000 units – debt and headroom

5.4.1. Peak debt rises to £194.402m in 2049/50, as shown below:



5.4.2. The authority reaches an initial debt peak of £175.883m in 2027/28, which coincides with the end of the initial phase of development. It broadly maintains debt at around

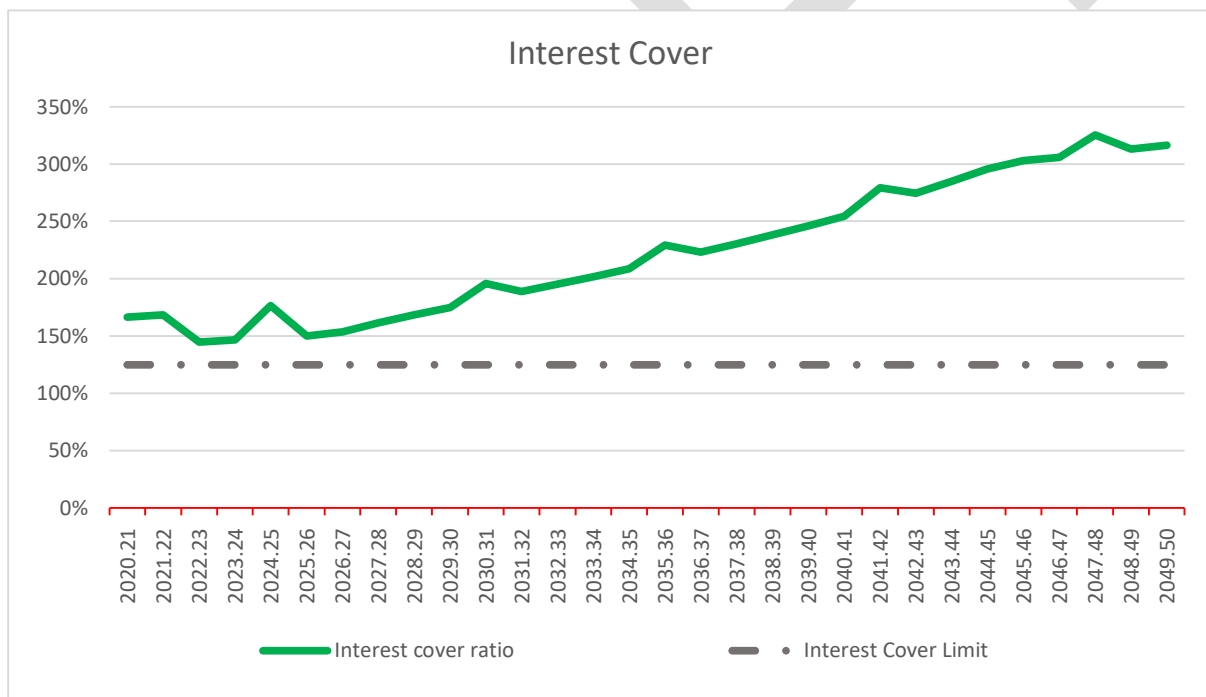
this level until 2045/46. The requirement for additional investment in the stock then forces the authority to take out additional loans, bringing debt up to its peak level of £194.402m by the end of the 30 year forecast. This remains above the £107.982m in HRA-related debt that was held at the start of 2020/21.

5.4.3. Borrowing headroom reduces slightly to £48.720m in 2025/26. This leaves the HRA with a reasonable level of spare capacity for responding to most emerging risks and pressures.

5.5. Delivery of 1,000 units – affordability

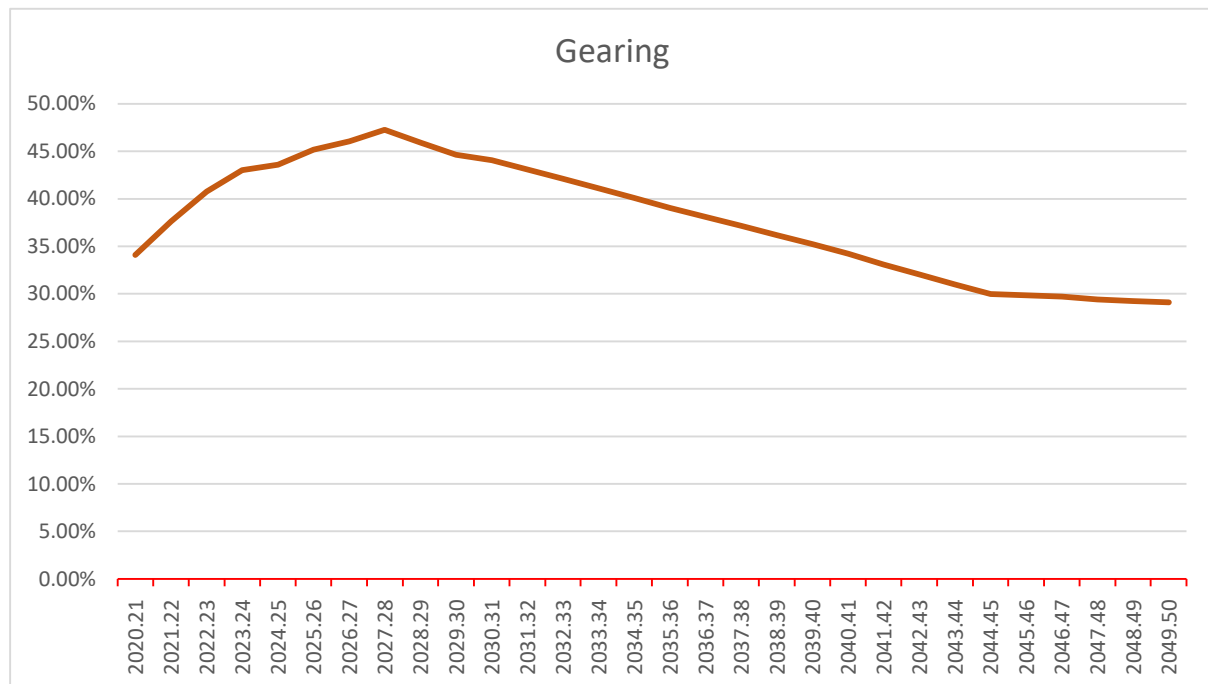
5.5.1. Under this scenario the authority depends much more on borrowing to deliver the new homes required. While this generates additional rental income, it takes the authority longer to reduce its overall debt.

5.5.2. The higher debt levels mean that interest cover takes longer to rise significantly above the 125% minimum level for the first part of the plan:



5.5.3. The level of interest cover provided is lower than under the Baseline, but follows a reassuring trajectory.

5.5.4. By increasing the number of units during the forecast the value of assets that the authority owns also increases. This has the following effect on gearing:



- 5.5.5. Gearing peaks at 47.27% in 2027/28, reducing to 29.09% at the end of 2049/50. At its peak level the “mortgage” per property is slightly higher than the forecast suggested for the Baseline. By the end of the forecast the figure is substantially higher than under the baseline, due to the authority’s continued reliance on debt finance to deliver the 1,000 unit programme and stock investment.
- 5.6. Delivery of 1,000 units – summary
- 5.6.1. Under this scenario there is a significant long term rise in the number of units produced, which requires the authority to rely more heavily on borrowing to deliver its plans. However, as the new units produced generate additional rental income for the HRA, the authority is able to keep its overall level of borrowing within manageable levels. The slight increase in borrowing at the end of the forecast is an area of potential concern, for which the authority may need to consider taking mitigating action.
- 5.6.2. The Delivery of 1,000 Units scenario leaves the authority with a reasonable level of financial “wriggle room”, but it reduces the capacity of the HRA to use borrowing to respond to a significant expenditure pressure that competes with the delivery of new homes, or to any potential unforeseen shocks.
- 5.6.3. Under this scenario the authority should remain flexible in its approach, so that it is able to adjust its spending plans in response to changes in circumstances. It should also explore options for making additional resources available, while maximising income and bearing down on its operational costs.

6 | Impact of additional spending pressures

6.1. Context

- 6.1.1. There is potential for the authority to incur substantial additional costs to cover further expenditure pressures, such as retrofit works to both the existing stock and some new units as part of delivering a carbon neutral housing stock.
- 6.1.2. While the updated Baseline contains an additional contingency for works to the housing stock from 2031/32, this is unlikely to be sufficient to cover the cost of a substantial pressure, such as retrofitting all homes to a zero carbon standard.

6.2. Potential impact of additional pressures

- 6.2.1. Any additional pressures that cause the scale of investment required to increase significantly would mean that the authority quickly utilises all the headroom identified under the updated Baseline. This could reduce the available headroom to zero, leaving the authority with much less “wriggle room” and much higher debt levels.
- 6.2.2. It is therefore possible that the requirement to meet substantial new pressures could reduce the capacity of the HRA for delivering additional homes after the medium term programme included in the Baseline, as well as its ability to respond to other emerging risks and situations. As a result, if the authority needs to respond to other pressure it may also need to adjust its aspirations for continuing to provide more new homes over the long term, unless the HRA is able to access substantial additional resources or find compensating cost reductions.

7 | Sensitivity testing

7.1. Approach to sensitivity testing

- 7.1.1. We have conducted a series of tests that show the effects of a one year rent freeze, and increase in the cost of new borrowing and general increases in cost. This allows the authority to consider the potential effects of changing circumstances and helps to illustrate the consequences of different actions.
- 7.1.2. For each sensitivity we have assessed their impact against the following key metrics:
- Peak debt (amount and year)
 - Debt at the end of the forecast
 - Borrowing headroom (amount and year)
- 7.1.3. Taken together, these metrics help to show how each sensitivity impacts on the affordability of the authority's updated Baseline. The table below summarises the effects of each sensitivity on these key metrics:

Scenario/ Sensitivity	Peak debt		Terminal debt		Minimum headroom	
	Year	£000	Year	£000	Year	£000
Baseline	2027.28	£172,633	2049.50	£79,216	2025.26	£48,882
Rent Freeze	2027.28	£174,458	2049.50	£87,338	2025.26	£38,778
Cost of Borrowing Rises	2029.30	£178,017	2049.50	£130,825	2025.26	£0
Cost Increases	2027.28	£174,988	2049.50	£104,350	2025.26	£33,923

- 7.1.4. The paragraphs below describe the causes of these effects.

7.2. One year rent freeze

- 7.2.1. Freezing rents at 2020/21 levels for 2021/22 reduces the rental income generated in 2020/21, compared with the Baseline projections. However, since rent increases in are based on rents in the previous year, any rent freeze then has an ongoing impact on the levels of income generated from existing tenancies in both the year of the rent freeze and in future years.
- 7.2.2. As a consequence of freezing rents the authority is less able to repay debt, and so it has to borrow more for a longer period. This means that peak debt goes up by £1.825m and debt at the end of the forecast increases by £8.122m.
- 7.2.3. If the authority generates lower levels of income it also has less money available to provide interest cover for its loans. This means that the amount of borrowing it can afford also drops, and so we see the authority's borrowing headroom reduce by £10.104m. This represents a substantial reduction in the financial "wriggle room" that the authority can access when responding to emerging risks and opportunities.

7.3. Cost of borrowing rises

- 7.3.1. Of the three sensitivities, a 1% increase in the cost of new borrowing has the most significant impact. The high level of borrowing required by the authority to deliver its Baseline capital programme means that any rise in borrowing costs requires any new loans to be repaid over a longer period.
- 7.3.2. This causes the authority to use more of its rent income to pay for the higher interest charges and so there is less available to repay debt. As a result the HRA has to borrow more for a longer period. Compared with the Baseline, peak debt is reached two years later (in 2029/30) and goes up by £5.384m. Debt at the end of the forecast is substantially higher, increasing by £51.609m.
- 7.3.3. If the authority incurs higher borrowing costs this reduces the level of interest cover, and so the amount of borrowing it can afford also drops. Under this sensitivity the authority uses up all its borrowing headroom by 2022/23. This would require it to take compensating action to ensure that borrowing levels remain within the limits set.

7.4. Cost increases

- 7.4.1. Allowing for costs to rise by an additional ½% a year for five years also has a strong negative impact on the health of the HRA. Under this sensitivity the authority generates the same level of rent as under the Baseline, but pays more to deliver services, investment and new homes.
- 7.4.2. This means that the HRA has less income available to repay debt and so borrows for a longer period. The cost increases we have modelled also increase the cost base for subsequent years, and have a greater impact as the forecast progresses. Peak debt is £2.354m higher than under the Baseline in 2027/28, and debt retained after 30 years is £25.134m higher.
- 7.4.3. Headroom also reduces, and is £14.959m lower than the Baseline in 2025/26.

7.5. Summary

- 7.5.1. As we have shown, the HRA forecasts are very sensitive to changes in the levels of income generated and costs incurred. Relatively small changes in these assumptions can have a substantial long term impact on the financial capacity of the HRA.
- 7.5.2. We recommend that the authority routinely seeks to optimise income and minimise costs as part of its approach to maximising the long term financial capacity of the HRA.

Appendix D - HRA Equality Impact Assessment



Somerset Equality Impact Assessment

Organisation prepared for	Somerset West and Taunton Council		
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Version	1	Date Completed	January 2021
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Description of what is being impact assessed

Somerset West and Taunton Council (SWT) Housing Revenue Account (HRA) updated (2021) 30 year Business Plan

The strategic objectives of the business plan are to: Deliver more new homes; Provide great customer service; and Improve existing homes and neighbourhood.

HRA budget setting 2021/22

The HRA budget setting report enables the council to set a balanced budget for 2021/22 that reflects SWT's HRA business plan and takes into account councillor's priorities. The report provides an overview of the finances for the HRA. It covers both HRA revenue and housing capital spending, highlighting the inter-relationships between the two.

Council housing rents for 2021/2022

To increase council housing rents to ensure continued investment in the management, maintenance and development of council housing stock to ensure the needs of existing and potential tenants are met, and to provide enhanced support for families and communities experiencing hardship.

HRA fees and charges for 2021/2022

To increase the fees and charges for 2021/2022 for the HRA to ensure sufficient financial resources are in place to deliver the services.

Evidence

What data/information have you used to assess how this policy/service might impact on protected groups? Sources such as the [Office of National Statistics](#), [Somerset Intelligence Partnership](#), [Somerset's Joint Strategic Needs Analysis \(JSNA\)](#), Staff and/or [area profiles](#), should be detailed here

Data:

- Major changes in national rent policy 2019/20;
- Somerset West and Taunton's Full Council decision on council housing rent policy - February 2021; and
- Tenant profiling data.

Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?

Engagement:

- Consultation and regular meetings with the SWT's Tenants' Strategic Board - January 2021;
- As part of our consultation on the proposed changes the Council contacted the following groups, who were identified as having an interest in the proposals for change:

- Compass Disability Services, Taunton (Disability);
- Age UK, Somerset (Age);
- Mind in Somerset, Taunton (Disability);
- Diversity Voice, Somerset (All);
- Moving Together in Somerset (Age);
- RAISE, Somerset (Race);
- Stand Against Racism and Inequality, Somerset (Race); and
- Caring Minds CIC, Taunton (Carers) – December 2020.

In summary the groups were invited to provide comment and feedback on the following:

- More council homes to be built to zero carbon standards;
- Additional investment in safety (for example fire safety and electrical safety) works to ensure we meet relevant standards, regulatory requirements, inspection and testing;
- Consumer Price Index (at September 2020) + 1% increase in council housing rent; and
- Consumer Price Index (at September 2020) + 1% increase in council housing fees and charges (for example the grounds maintenance charge).

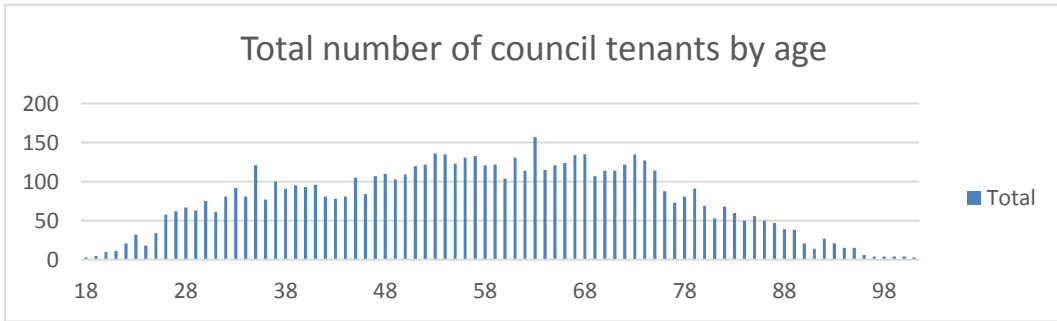
Specific questions requiring a response:

1. Any indication or evidence that any part of the proposed changes could discriminate, directly or indirectly?
2. Any potential for the proposed changes to adversely affect equality of opportunity for all?

Analysis of impact on protected groups

The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.

Protected group	Summary of impact	Negative outcome	Neutral outcome	Positive outcome
Summary	<p>Every year the housing service reviews rents and service charges as well as sets the budgets that apply to the housing and garage stock. This takes into account inflation and any other financial factors in order to ensure there is enough income to deliver services. When doing so, the housing service must observe government legislation and guidance.</p> <p>Increasing rent and service charges and setting budgets by the amounts specified in the report will have a neutral effect on protected groups. The cost rise to tenants itself is a relatively modest one.</p> <p>The housing service has an ambitious new build social development programme to add zero carbon homes to its housing stock. This will require significant investment and the need to use rental income to fund interest payments on borrowing and the repayment of debt.</p> <p>Rental income will finance the continued investment in maintaining our existing homes, other assets and neighbourhoods to a high standard with a comprehensive planned programme of expenditure, adaptations and routine repairs in place.</p> <p>The rental income will also enable the housing service to continue providing and improve upon the strong community support offered to tenants providing them with additional support to sustain individual tenancies as well</p>		✓	

	<p>as investing in a range of community based projects and groups.</p> <p>It could be argued that a group such as those with a disability will tend to have a lower average income than non-disabled people and therefore will be disproportionately adversely affected by any rent and service charge rise. However people on low incomes will (if they fulfil the conditions) qualify for housing benefit or Universal Credit and will therefore be insulated from negative financial effects.</p> <p>It is understood that there may be an increase in the level of rent arrears as a result of the shift to Universal Credit, however that risk is being mitigated by the housing service working closely with Citizens Advice to provide advice and support services to Universal Credit claimants. The housing service also has a dedicated team of officers who provide early intervention to support tenants to sustain their tenancy and where necessary assist them to maximise their entitlement to welfare benefits.</p> <p>The HRA business plan makes provision for an amount of bad debt.</p>			
Age	<p>The graph below provides the number of council tenants by age:</p>  <p>Total number of council tenants by age</p>		<input checked="" type="checkbox"/>	

All tenants will benefit from the overall investment in council housing.

No group is discriminated against in the allocation of council housing (or in renting garages from the council). All groups benefit equally.

Additional housing supply will provide an increased choice of affordable housing type, size and tenure, providing housing options for all age groups.


Improvements in energy efficiency will help to protect tenants, whatever their age or the hardships they experience, from fuel poverty.


The table below provides information on the number of council tenants in receipt of housing benefit (HB) or universal credit (UC):




Benefit type	Count of tenancies
UC	1425
Self-funder	2095
HB	2057
Total	5577


Note: Self- funder = Not in receipt of housing benefit or universal credit. Approximately 62% of our existing tenants are in receipt of help with housing costs i.e. Housing Benefit or Universal Credit. The housing service provides additional specialised help to support all tenants into employment.




Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing.

Disability	<p>The table below provides information (held within our Housing System – tenant profiling information) on the types and number of disabilities reported by council tenants:</p> <table><tr><th>Disability</th><th>Count of Disability</th></tr><tr><td>ALCOHOL RELATED PROBLEM</td><td>7</td></tr><tr><td>DEMENTIA</td><td>23</td></tr><tr><td>DISABLED</td><td>705</td></tr><tr><td>DISABLED HEARING IMPAIRMENT</td><td>214</td></tr><tr><td>DISABLED LEARN DIFFICULTY</td><td>65</td></tr><tr><td>DISABLED MENTAL HEALTH</td><td>350</td></tr><tr><td>DISABLED MOBILITY</td><td>671</td></tr><tr><td>DISABLED (OTHER)</td><td>1106</td></tr><tr><td>DISABLED VISUAL IMPAIRMENT</td><td>130</td></tr><tr><td>DRUG RELATED PROBLEM</td><td>2</td></tr><tr><td>DISABLED SPEECH IMPAIRMENT</td><td>7</td></tr><tr><td>MOBILITY SCOOTER</td><td>57</td></tr><tr><td>REGISTERED DISABLED</td><td>86</td></tr><tr><td>TERMINALLY ILL</td><td>1</td></tr><tr><td>UNABLE TO READ OR WRITE</td><td>4</td></tr><tr><td>VULNERABLE</td><td>187</td></tr><tr><td>WHEELCHAIR USER</td><td>59</td></tr></table> <p>As has been stated, it could be argued disabled adults are more likely to be living in low-income households than non-disabled adults. Additionally, disabled people are more likely to not be working, and where they are working, are more likely to be earning less than non-disabled people. It is evident therefore that an increase in rents is likely to specifically impact this protected characteristic. However, we believe that as the rises proposed are modest; that as the welfare benefit system should be able to protect people; and that as we can provide advice, help and support both</p>	Disability	Count of Disability	ALCOHOL RELATED PROBLEM	7	DEMENTIA	23	DISABLED	705	DISABLED HEARING IMPAIRMENT	214	DISABLED LEARN DIFFICULTY	65	DISABLED MENTAL HEALTH	350	DISABLED MOBILITY	671	DISABLED (OTHER)	1106	DISABLED VISUAL IMPAIRMENT	130	DRUG RELATED PROBLEM	2	DISABLED SPEECH IMPAIRMENT	7	MOBILITY SCOOTER	57	REGISTERED DISABLED	86	TERMINALLY ILL	1	UNABLE TO READ OR WRITE	4	VULNERABLE	187	WHEELCHAIR USER	59			
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	<p>from ourselves and through working with Citizens Advice, any impact will be low.</p> <p>Tenants will benefit from the overall investment in council housing.</p> <p>Specific provision for a range of new adapted properties will be made to provide a housing choice for those with a disability.</p> <p>Eligible tenants will particularly benefit from the provision of disabled adaptations (major and minor) to existing council housing.</p>															
Gender	<p>The table below provides information on the number of council tenant/s by gender:</p> <table><tr><th>Gender</th><th>Total</th></tr><tr><td>FEMALE</td><td>3388</td></tr><tr><td>MALE</td><td>2037</td></tr><tr><td>NOT ANSWERED</td><td>6</td></tr><tr><td>NOT KNOWN</td><td>1008</td></tr><tr><td>Grand Total</td><td>6439</td></tr></table> <p>Note: Not known: Is where our records show that gender fields within our housing system have not been had the information entered.</p> <p>Tenants will benefit from the overall investment in council housing.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>	Gender	Total	FEMALE	3388	MALE	2037	NOT ANSWERED	6	NOT KNOWN	1008	Grand Total	6439			
Gender	Total															
FEMALE	3388															
MALE	2037															
NOT ANSWERED	6															
NOT KNOWN	1008															
Grand Total	6439															

Marriage and civil partnership	Tenants will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.																																	
Pregnancy and maternity	Tenants will benefit from the overall investment in council housing. Within the business plan there is potential for investment in better quality and additional family housing. There is not expected to be any particular negative impact on this specific group.																																	
Race and ethnicity	<p>The table below provides information on the number of council tenants by ethnicity:</p> <table><tr><th>Ethnicity</th><th>Count</th></tr><tr><td>ANY OTHER</td><td>1</td></tr><tr><td>ASIAN - BANGLADESHI</td><td>5</td></tr><tr><td>ASIAN - INDIAN</td><td>2</td></tr><tr><td>ASIAN BRITISH</td><td>5</td></tr><tr><td>ASIAN OTHER</td><td>15</td></tr><tr><td>BLACK AFRICAN</td><td>14</td></tr><tr><td>BLACK BRITISH</td><td>3</td></tr><tr><td>BLACK CARIBBEAN</td><td>6</td></tr><tr><td>BLACK OTHER</td><td>4</td></tr><tr><td>CHINESE</td><td>2</td></tr><tr><td>GYPSY</td><td>2</td></tr><tr><td>MIXED OTHER</td><td>9</td></tr><tr><td>MIXED WB AFRICAN</td><td>6</td></tr><tr><td>MIXED WB CARIBBEAN</td><td>4</td></tr></table>	Ethnicity	Count	ANY OTHER	1	ASIAN - BANGLADESHI	5	ASIAN - INDIAN	2	ASIAN BRITISH	5	ASIAN OTHER	15	BLACK AFRICAN	14	BLACK BRITISH	3	BLACK CARIBBEAN	6	BLACK OTHER	4	CHINESE	2	GYPSY	2	MIXED OTHER	9	MIXED WB AFRICAN	6	MIXED WB CARIBBEAN	4			
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	<p>NOT KNOWN 2075</p> <p>REFUSED 6</p> <p>TRAVELLER 2</p> <p>WHITE BRITISH 3997</p> <p>WHITE IRISH 31</p> <p>WHITE OTHER 250</p> <p>Grand Total 6439</p> <p>Tenants will benefit from the overall investment in council housing.</p> <p>Wider tenant participation and engagement will increase the proportion of tenants providing feedback to inform service improvements.</p> <p>Any proposed re-development of the housing stock could potentially have a negative impact on a specific group of tenants, depending upon the location.</p> <p>Communication about the business plan may not fully reach those for whom English is not their first language.</p>			
Religion or belief	<p>Tenants will benefit from the overall investment in council housing.</p> <p>Developing and supporting staff to provide great customer service will ensure appropriate and sensitive services are delivered to the religious or belief requirements of tenants.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>			

Sex	<p>Tenants will benefit from the overall investment in council housing.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>			
Sexual orientation	<p>Tenants will benefit from the overall investment in council housing.</p> <p>Investment in our communities will ensure information about our services is accessible so that people can benefit from all our activities. Tenants experiencing alarm, distress and harassment will benefit from investment being made into providing great customer services which will be community inclusive.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>			
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	<p>Property lettings will be allocated via the choice based lettings system - Homefinder Somerset, which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</p> <p>The increase to rent and services charges will be applied across our housing stock. This increase will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and will enable the council to continue to provide an excellent range of services.</p> <p>To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income:</p> <ul style="list-style-type: none"> • Publish clear information on rent which helps tenants to manage their own finances; 			

	<ul style="list-style-type: none"> • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim. 			
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Negative outcomes action plan

Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing. We will communicate with all tenants to explain any significant changes affecting them and what we are investing in.	2021 - ongoing	Supported Housing Specialist.	Regular meetings and wider engagement with stakeholders.	<input type="checkbox"/>
There is potential to alienate specific ethnic groups when housing is identified for regeneration/redevelopment. We will consider re-supply of appropriate housing to meet the needs of ethnic groups as part of any future regeneration/ redevelopment.	2021 - ongoing	Development and Regeneration Lead	Regular meetings and wider engagement with stakeholders.	<input type="checkbox"/>
Those for whom English is not their first language are not made fully aware of changes. We will offer translation of communication into alternative languages. We will engage with minority groups using existing tenant involvement channels.	2021 - ongoing	Case Management Lead Tenancy Management and Supported Housing Specialist; Housing Performance Team.	Regular meetings and wider engagement with stakeholders.	<input type="checkbox"/>

There is potential to alienate religious or belief groups when housing is identified for regeneration/redevelopment. We will consider re-supply of appropriate housing to meet the needs of any religious or belief groups as part of any future regeneration/redevelopment scheme.	2021 - ongoing	Development and Regeneration Lead	Regular meetings and wider engagement with stakeholders.	<input type="checkbox"/>
<p>The increase rent and service charges will be applied across our housing stock. The cost rise to tenants is a relatively modest one and will enable the council to continue to provide an excellent range of services.</p> <p>To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income:</p> <ul style="list-style-type: none"> • Publish clear information on rent which helps tenants to manage their own finances; • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim. 	2021 – ongoing	Case Management Lead Tenancy Management and Supported Housing Specialist	Regular meetings and wider engagement with stakeholders.	<input type="checkbox"/>
The proposed budgets for rental income in 2021/22 make a provision for bad debt.	2021/22		Regular meetings.	

<p>The impact of both investment prioritisation and improvements to service delivery will be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan.</p>	<p>2021 – ongoing</p>	<p>Case Management Lead – Finance</p> <p>Director of Housing</p>	<p>Annual review of the HRA financial model.</p> <p>Annual review of the HRA business plan.</p>	
<p>If negative impacts remain, please provide an explanation below.</p>				
<p>N/a</p>				
<p>Completed by:</p>	<p>Stephen Boland</p>			
<p>Date</p>	<p>January 2021</p>			
<p>Signed off by:</p>				
<p>Date</p>	<p>January 2021</p>			
<p>Equality Lead/Manager sign off date:</p>				
<p>To be reviewed by: (officer name)</p>	<p>Stephen Boland</p>			
<p>Review date:</p>	<p>31st March 2022</p>			

Somerset West and Taunton Council

Scrutiny – 27 January 2021

Draft General Fund Revenue Budget and Capital Estimates 2021/22

This matter is the responsibility of Executive Councillor Henley, Corporate Resources

Report Author: Emily Collacott, Lead Finance Business Partner (Deputy S151 Officer)

1 Executive Summary / Purpose of the Report

- 1.1 The report sets out the draft budget estimates for 2021/22, Medium Term Financial Plan (MTFP) forecasts, and 2021/22 Capital Programme and the proposed sources of funding.
- 1.2 The Provisional Finance Settlement for 2021/22 was issued by Government on 17 December, and included details regarding general revenue grant funding, New Homes Bonus, COVID funding and business rates retention baseline and tariff. The information arising is better than the estimates previously included in the MTFP. The final Finance Settlement is expected to be published in late January/early February. Funding for later years is subject to future Spending Reviews by Government and anticipated funding reform.
- 1.3 Executive is minded to implement a council tax increase of 3.04% (£5 on a Band D) in 2021/22, making the annual Band D charge £169.63. The increase in the tax rate provides an additional £279,739 income, however a reduction in the tax base equating to £81,766 results in a net additional council tax income of £197,963 compared to 2020/21.
- 1.4 Executive is also minded to precept £29,093 in special expenses for the Unparished Area of Taunton. This results in an annual council tax rate at £1.91 for a Band D for the Unparished Area of Taunton.
- 1.5 The budget for 2021/22 has been prepared in the context of increased uncertainty. The Government's Spending Review and Finance Settlement has again been for one year only. The effects of the COVID pandemic on both the local economy and public sector services is ongoing with the country currently in the third national lockdown and a range of restrictions in place as national policy has evolved. The Council has settled its organisation structure during 2020/21 with budgets reorganised into directorates. SMT and the directorate management teams have reviewed budgets in detail to ensure budgets align with up to date cost and income estimates, creating a stronger foundation for future resource planning and decision making.
- 1.6 SMT and the Executive present a balanced draft budget for 2021/22, which includes use of temporary funding from reserves to soften the budget gap in the face of current service demands and funding uncertainty. Longer term the Medium Term Financial Plan presents a significant structural challenge which needs to be addressed to maintain

ongoing financial sustainability.

2 Recommendations

- 2.1 Scrutiny reviews and comments on the draft revenue and capital budget estimates and proposals and supports the following proposed recommendations to the Executive and Full Council.
- 2.2 Executive recommends Full Council approve the Draft Revenue Budget expenditure, savings and income targets, subject to any final adjustments as may be required for new information prior to Full Council (such as the NNDR1 final estimates and the Final Finance Settlement).
- 2.3 Executive recommends to Full Council a basic band D council tax of £169.63, comprising £167.88 for services and £1.75 on behalf of the Somerset Rivers Authority.
- 2.4 Executive recommends Full Council approve the new capital schemes of the General Fund Capital Programme Budget of £3,116,980 for 2021/22, £2,033,980 for 2022/23 and the asset for sale target of £2,472,720, as set out in Table 11.
- 2.5 Executive recommends that Full Council delegates authority to the Chief Executive, in consultation with the S151 Officer, to allocate the £813,000 one-off grant funding to meet COVID-related exceptional service costs and income losses during 2021/22.
- 2.6 Executive recommends Full Council approve a continued policy of suspend parking charges as detailed below on the three Saturdays leading up to Christmas and on one Sunday in Dulverton in line with previous years, to support local economies.
 - (a) Free parking will apply all day; from 00:00 to 23:59 on the three Saturdays (subject to car park opening hours) in Minehead and West Somerset Car Parks.
 - (b) Free parking will apply from 15:00 to 23:59 on the three Saturdays (subject to car park opening hours) in Taunton Car Parks.
 - (c) Free parking will apply all day; from 00:00 to 23:59 on one Sunday (subject to car park opening hours) in Dulverton Car Parks to support the Dulverton by Starlight events.

3 Risk Assessment

- 3.1 Any risks are consider within the body of the report.

4 Background Information

- 4.1 In October 2019 the Council agreed the Corporate Strategy which sets out the Council's priorities and vision for the next four years with four strategic themes; Our Environments and Economy, A transparent and customer focused Council, Homes and Communities and An Enterprising Council. The budget seeks to allocate available resources in order to progress the priorities identified in the Strategy.
- 4.2 The COVID-19 global pandemic has had a significant influence over the work of the Council and its resources. Financial planning in the current year has necessarily been dynamic in order to respond to frequent changes to national and local restrictions, the many measures of support provided locally to households and businesses, and volatility of the council's costs and income. The main priority in 2020/21 has been on the coordinated response to support the priorities during the COVID crisis, whilst also pressing

forward with other strategic priorities within this context such as housing and regeneration investment.

- 4.3 The Financial Strategy was reviewed and agreed by the Executive on 28 October 2020. The strategy and medium term forecasts were updated to reflect the current financial climate in respect of COVID, the future of local government finance and any other known impacts upon the finances of the Authority.
- 4.4 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.
- 4.5 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), commercial investment income and through grant funding from Central Government (including Revenue Support Grant, New Homes Bonus and other non-ring-fenced and specific grants/subsidy).
- 4.6 Each year the Council sets an annual budget which details the resources needed to meet operational requirements. The annual budget should be prepared within the context of priorities and objectives identified by Members which are embedded in the Council's current Corporate Strategy.
- 4.7 The Draft Budget included in this report sets out a proposed balanced budget position for 2021/22. This includes additional expenditure to meet identified cost pressures and bids to support new spending, as well significant savings plans and short term support to the budget using General Fund reserves. Funding through business rates and New Homes Bonus is expected to reduce significantly over the next two years. The agreed Financial Strategy, and the draft budget and MTFP in this report set out plans to meet this challenge.
- 4.8 The fair funding review and business rates retention baseline reset have again been deferred meaning that the Council will receive a one year funding settlement and therefore the longer term funding remains uncertain. The Provisional Finance Settlement, which provides the level of funding set by Government through business rates retention and general grants, was announced on 17 December 2020. Government have protected funding for a year due to the COVID risk and the information arising is better than our previous expectations. The Final Finance Settlement is expected late January / Early February.

5 2021/22 Draft Budget Summary

- 5.1 The following tables provide a summary of the proposed balanced draft budget position for 2021/22. A further breakdown of the Total Spending on Services is shown in Appendix A.

Table 1 – General Fund Draft Budget Summary

	2020/21 £	2021/22 £
Senior Management Team (SMT)	662,550	554,210

	2020/21 £	2021/22 £
Internal Operations Directorate (IO)	8,907,425	9,213,040
Housing & Communities Directorate (Hsg & Com)	2,647,020	3,028,290
Development & Place Directorate (D&P)	1,804,440	2,230,860
External Operations & Climate Change Directorate (EO&CC)	7,542,963	8,183,351
Technical Capital Accounting Adjustments	-2,301,110	-2,301,110
Net Total Spending on Services	19,263,288	20,908,641
Investment Property Net Income	-947,100	-3,407,100
Somerset Rivers Authority Contribution	98,787	97,909
Revenue Contribution to Capital	15,000	0
Capital Debt Repayment Provision (MRP)	505,010	699,530
Interest Costs	214,640	312,570
Interest Income	-875,750	-514,500
Special Expenses	29,240	29,093
Transfers to Earmarked Reserves	2,448,165	1,595,466
Transfer to General Reserves	300,000	-1,410,000
SWTC Net Expenditure	21,051,280	18,311,609
Parish Precepts	2,446,428	2,446,428*
Total Expenditure Including Town/Parish Precepts	23,497,708	20,758,037
Retained Business Rates	-6,220,597	-5,692,349
Business Rates Pooling Gain	0	-250,000
LCTS Grant	0	-224,736
Lower Tier Services Grant		-931,250
Revenue Support Grant	-6,444	-6,479
Rural Services Delivery Grant	-241,506	-253,432
New Homes Bonus	-3,253,289	-1,743,222
Surplus(-)/Deficit on Collection Fund – Council Tax	63,877	63,330
Surplus(-)/Deficit on Collection Fund – Business Rates	-2,070,739	12,081,670
Business Rates Holiday 2020/21 S31 Grant		-10,840,000
Business Rates Losses 2020/21 S31 Grant	0	-931,250
Demand on Collection Fund – Parishes and Special Expenses	-2,475,668	-2,475,521*
Total Council Tax Raised by Council	9,293,342	9,490,437
Divided by Council Tax Base	56,449.87	55,947.87
Council Tax Band D – SWT Services	162.88	167.88
Council Tax Band D – Somerset Rivers Authority	1.75	1.75
Council Tax Band D – SWT including SRA	164.63	169.63
Cost per week per Band D equivalent	3.16	3.25

*The final total for parish precepts in 2021/22 is not yet confirmed pending receipt of all demands. This will be updated for the Full Council report.

5.2 The table below shows the movement in spending and funding between 2020/21 and 2021/22

Table 2 – Summary of Budget Changes in 2021/22

	Directorate	£'000	£'000
Net Expenditure Base Budget 2020/21			23,498
Service Cost Savings:			

	Directorate	£'000	£'000
Investment Property income – updated estimated of total net income to £2.9m in line with Commercial Property Investment Strategy.	D&P	-2,460	
Increase in Planning income.	D&P	-50	
Park and Ride – decrease in contribution reflecting up to date cost estimates.	D&P	-30	
Asset Management – the rental income from legacy properties has been reviewed and there is a forecast increase in the income for next year. This includes an allowance for non-collection risk due to COVID impact on the economy.	EO&CC	-203	
Various savings within the Car Parking service budget. For 21/22 a saving of £51k rising to £103k recurring from 22/23.	EO&CC	-51	
Garden Waste – due to the delay in garden waste collections in April/May 2020 there will be a one-off increase for deferred income for 21/22 only.	EO&CC	-104	
Leisure Contract - savings from the original provision for the leisure contract.	EO&CC	-273	
Affordable Housing Partnership - increase in income from the partnership including the addition of another partner Housing Association.	Hsg & Com	-15	
CCTV – one off nil contribution to sinking fund for 2021/22 only on the basis that sufficient funds currently exist in the fund.	Hsg & Com	-135	
Training – reduction in the corporate training budget.	IO	-70	
Income from Taunton Charter Trustees regarding Officer support for governance and administration.	IO	-32	
Remove One-off Items from 2020/21 – the 2020/21 budget included some one-off items which need to be removed for 2021/22.	Various	-400	
Fees and Charges total income estimates, e.g. for inflationary price increases	Various	-105	
Vacancy Savings – we have looked at the current vacancy savings over the last year and included a vacancy savings amount.	Various	-100	
Revenue Savings Target – savings to be identified during the year.	Various	-111	
Reduction in the revenue contribution to capital projects	Corporate	-15	
			-4,154
Service Cost Pressures:			
Local Plan - consultants and examination to undertake the local plan.	D&P	118	
Digital Innovation Centre – revenue contributions towards the project costs (£75k over two years).	D&P	38	
Reduction in Land Charges Income reflecting demand.	D&P	47	
Feasibility Studies.	D&P	82	
Street Cleansing Contract – increase in base budget to match the contracted costs.	EO&CC	50	

	Directorate	£'000	£'000
Climate Change – funding towards projects identified in the CNCR plan for delivery in that year as detailed in the Service Business Plan.	EO&CC	500	
Harbour Dredging – to ensure we continue to meet our dredging obligations at Watchet Outer Harbour.	EO&CC	25	
General Fund Asset Landlord and Compliance works.	EO&CC	150	
Open Spaces – mainly a reduction in the income target from previous years to reflect known planned activity.	EO&CC	791	
Vehicles, Plant and Equipment budget requirement rebased to meet needs of the service.	EO&CC	135	
Civica system licences in public health not currently included in the budget.	EO&CC	20	
Private Sector Housing Partnership (Somerset Independence Plus SIP) - realignment of costs between the General Fund and Housing Revenue Account based on actual time spent on respective funds work.	Hsg & Com	31	
One-off consultancy costs to support a review of the Council Tax Support Scheme.	IO	19	
Housing Benefits (Rent Rebates and Rent Allowances) – increased pressure due to reviewing the current budgets.	IO	50	
Microsoft licences (GF share) - due to increase in staff numbers.	IO	38	
Salaries – Increase due to incremental cost and reduction in support services income from the HRA.	Various	493	
Reduction in income from external bodies towards staffing costs.	Various	367	
Other Minor Cost Pressures.	Various	40	
Pension Deficit – Inflationary increase in annual contribution to reduce pension fund deficit in line with actuarial valuation.	Corporate	40	
Inflation for major contracts and utilities.	Corporate	288	
Financing Costs (net income and repayment of debt)	Corporate	654	
			3,976
Reserve Movements:			
Remove 20/21 one-off contribution to General Reserves	Corporate	-300	
Contribution from General Reserves to 21/22 budget	Corporate	-1,410	
Remove 20/21 transfers to earmarked reserves	Corporate	-2,448	
Transfer to Business Rates Smoothing Reserves re Hinkley rateable value volatility risk	Corporate	1,906	
Transfer from Business Rates Smoothing Reserves re Collection Fund Deficit	Corporate	-310	
			-2,562
Net Expenditure Base Budget 2021/22			20,758

	Directorate	£'000	£'000
Total Funding 2020/21			-23,498
Increase in Rural Services Delivery Grant (RSDG)	Corporate	-12	
Increase in Other Government Grants including one-off funds towards COVID pressures	Corporate	-1,220	
Decrease in New Homes Bonus (NHB)	Corporate	1,510	
Net increased funding from Council Tax	Corporate	-197	

	Directorate	£'000	£'000
Collection Fund - Council Tax	Corporate	0	
Collection Fund - BRR	Corporate	14,152	
BRR Reserve to offset 20/21 Collection Fund Deficit - RHL BR Holiday 20/21	Corporate	-10,840	
BRR Reserve to offset 20/21 Collection Fund Deficit – Other BR Losses 20/21	Corporate	-931	
Reduction in Unparished Area Precept	Corporate	0	
Decreased Retained Business Rates	Corporate	528	
Increase In Pooling Gain	Corporate	-250	
			2,740
Total Funding 2021/22			-20,758

6 Government Grant Funding

- 6.1 Following the Provisional Settlement in December 2020 the general grant funding is slightly higher than previous MTFP projections. The Revenue Support Grant (RSG) in 2021/22 is £6,479 and Rural Services Delivery Grant is £253,432, which together is £11,961 (4.8%) higher than the 2020/21 settlement level. Government has confirmed that 'Negative' Revenue Support Grant will again be offset in 2021/22.
- 6.2 Through the Settlement the Government has sought to ensure that no local authority sees a cash reduction in their estimated core funding settlement in 2021/22, reflecting the need for funding stability for local services as we continue to provide essential local support in response to COVID. This was unexpected and only announced through the provisional settlement in December, but provides welcome one-off additional unringfenced revenue grant. Additionally, Government has provided additional one-off grant to provide additional resources to meet ongoing Council cost pressures related to COVID and national/local restrictions.

Table 3 – General Government Grant

	2020/21 £	2021/22 £	Change £	
Core Funding:				
Revenue Support Grant	6,444	6,479	35	0.5%
Rural Services Delivery Grant	241,506	253,432	11,926	4.9%
Total General Revenue Grant	247,950	259,911	11,961	4.8%
Additional one-off support:				
a) Lower Tier Services Grant		995,611		
b) Local Council Tax Support Grant		224,736		
c) COVID Pressures Grant		813,217		
Total Additional Grant Funding		2,033,564		

(a) Lower Tier Services Grant – the Government have confirmed a one-off grant of £995,611 to ensure there is no cash reduction in 'core spending power' compared to 2020/21.

(b) Local Council Tax Support Grant – an indicative allocation of £224,736 towards the loss of income through the reduction in the tax base due to growth in demand for council tax support. This recognises COVID presents ongoing adverse impact on employment and household income resulting in greater demand for financial assistance in lower-income households.

(c) COVID Grant – a one-off allocation of £813,217 for 2021/22 towards extra costs the Council might incur due to COVID.

- 6.3 All of the above funding is unringfenced revenue grant funding. The first two grants mitigate loss of funding however it is proposed to create a one-off COVID Cost Pressures Budget to utilise the £813k grant towards additional exceptional service cost and income pressures as they arise. In order to provide flexibility to determine the prompt and targeted allocation of this budget it is recommended that the CEO has delegated authority to manage this budget, in consultation with the S151 Officer during 2021/22.

7 Business Rates Retention

- 7.1 Local authorities receive a significant proportion of their funding through the Business Rates Retention (BRR) system. SWT operates within the Somerset Business Rates Pool which provides the opportunity to retain the majority of business rates growth levy that would be paid to central Government outside of a pool.
- 7.2 The Provisional Finance Settlement in December 2020 confirmed the baseline, safety net and tariff for 2021/22. In order to support businesses there will be no inflationary increase in business rates bills, with SWTC receiving grant from Government to compensate the loss of funding through this 'freeze'. Local estimates for total business rates income are not yet completed at the time of writing the report and are due to be completed by the end of January 2021. These will determine the net income retained by SWT including growth above the baseline.
- 7.3 A summary of the 2021/22 Retained Funding current estimate is shown in the table below. This will be updated following completion of the NNDR1.

Table 4 – Business Rates Retention Provisional Estimates

Business Rates Retention Provisional Funding Estimates	2021/22 Provisional Estimates £
Share of Business Rates Yield	22,658,480
Rates yield from renewable energy	203,194
Tariff to Government	-18,394,766
Levy Payment	-1,578,330
S31 Grant funding for Reliefs	2,803,771
Net Retained Business Rates Funding	5,692,349

- 7.4 The draft budgets proposals assume a pooling gain of £250k though this is subject to completion of the NNDR1 initially, and will ultimately only be confirmed based on the outturn for the Pool at the end of next financial year. Final estimates will be reflected in the final budget report to Council in February.
- 7.5 Business rates funding is volatile. The business rates tax base in SWT area includes Hinkley nuclear power station which produces almost 20% of total business rates income collected in the district. The rateable value for Hinkley B was significantly reduced in February and then July 2020 resulting in a major reduction in rates income for 2020/21. This results in a large Collection Fund Deficit which is to be repaid through the 2021/22 budget. Fortunately, 75% of this deficit will be mitigated due to the Government's tax loss compensation scheme. However it still represents a significant loss of funding which

in another year would have been much larger. The residual direct impact on SWTC funding can be offset using the BRR Volatility Reserve which has previously been prudently set aside for such risks.

- 7.6 Current indications are that the Hinkley rateable value will revert to its full valuation by April 2021 and the draft estimates for 2021/22 reflect this. However this represents a significant budget risk therefore it is recommended by the S151 Officer to set aside further funds (£1.9m) in the BRR Volatility Reserve in 2021/22 to mitigate the risk that the valuation does not revert as planned.
- 7.7 In the medium term financial plan the Council's funding through business rates is expected to reduce to the Safety Net due to the planned decommissioning of Hinkley B power station commencing by July 2022. There will then be a gap of several years before business rates funding is expected to grow when Hinkley C comes into operation. There is a financial planning risk though as Government is still committed to reviewing business rates retention and relative needs and resources funding distribution.
- 7.8 The Business Rates budget in 2021/22 includes a significant one-off spike in collection fund losses due to COVID in 2020/21, which is to be reimbursed by the General Fund next year due to accounting regulations. The Council will receive government funding through S31 Grant to fully compensate losses in respect of the business rates holiday 100% reliefs in 2020/21, and a further grant to compensate 75% of other 2020/21 business rates collection losses.

8 New Homes Bonus

- 8.1 New Homes Bonus (NHB) is grant funding allocated by Government, separate to Revenue Support Grant and Business Rates, which incentivises and rewards housing growth. The NHB grant is non-ring-fenced which means that the Council is free to decide how to use it. The Council intends to use all of its NHB allocation for 2021/22 towards the revenue budget for services. This is in line with the financial strategy agreed in September 2020 and provides revenue budget funding resilience as the Council continues to respond to COVID and support economic recovery. The Council's financial strategy is to reduce reliance on this funding reflecting its ongoing decline, and this is reflected in the MTFP below.
- 8.2 The confirmed NHB Grant for 2021/22 is £1,743,222 which is £1,510,067 or 46.4% less than comparable amount for 2020/21.

Table 5 – New Homes Bonus 2021/22

	2020/21 £	2021/22 £
New Homes Bonus Grant	3,253,289	1,743,222
Amount for core revenue budget	400,000	1,743,222
Transfer to growth reserve	2,853,289	0

- 8.3 The growth baseline remains at 0.4%, which sees a “top-slice” for net growth which does not attract any NHB grant. Each year's growth used to attract grant for 4 years but this is not expected to continue. The annual growth ‘increment’ in 2020/21 and 2021/22 is each for one year only. Table 5 below shows the current forecast within the current MTFP. We have assumed that the previous years' legacy payments will continue for the financial year 2022/23 though it should be noted that this payment is not guaranteed and could be removed in future funding arrangements. The Government deferred the planned

review of the NHB system in 2020, however it is anticipated this will be undertaken in 2021 and could therefore result in a new system being implemented for 2022/23.

Table 6 – New Homes Bonus Grant Forecast

	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
2016/17	841					
2017/18	1,258	1,258				
2018/19	858	858	858			
2019/20	851	851	851	851		
2020/21		286	0	0	0	
2021/22			34	0	0	0
Total	3,808	3,253	1,743	851	0	0

9 Council Tax

- 9.1 The Provisional Finance Settlement has confirmed that Shire Districts are able to increase council tax by up to the greater of 1.99% or £5 (on a Band D) in 2021/22 without the need for a referendum.
- 9.2 Executive are minded to recommend the option to increase annual Band D Council Tax to £167.88 for SWTC services, which equates to the £5 annual increase on the current SWT rate of £162.88, and this is reflected in the proposed budget for 2021/22. If approved by Council, the SWT total Band D tax rate including £1.75 for the Somerset Rivers Authority will be £169.63 per year or £3.25 per week. This represents an increase of 3.04% - 9 pence per week for a Band D taxpayer.
- 9.3 The approved Tax Base for 2021/22 is 55,947.87 Band D Equivalents, a decrease of 502 (0.89%) compared to the 2020/21 tax base. The main reasons for the tax base reducing are due to the estimated non-collection rate being increased and eligible claims for Council Tax Support discounts increasing. The budget estimates for Council Tax income for SWT is therefore $£55,947.87 \times £167.88 = £9,392,528$. This represents a total increase of £197,973 compared to the previous year. The budget estimates are calculated as follows.

	£
Council Tax Income Budget 2020/21	9,194,555
Decrease due to change in Tax Base (Band D equivalents)	-81,766
Increase due to proposed increase in Tax Rate	279,739
Council Tax Income Estimate 2021/22	9,392,528
Amount raised for Somerset Rivers Authority (see below)	97,909
Overall Total SWTC Council Tax Precept	9,490,437

- 9.4 The SWTC council tax charge represents around 10% of the full council tax bills for households, which also includes precepts for the county council, police and fire authorities, and local town and parish councils. Details of the full range of council tax charges will be included in the Council Tax Determination report to Council on 23 February 2021.

10 Somerset Rivers Authority

- 10.1 The Somerset Rivers Authority (SRA) remains unable to raise their own precept and it is therefore proposed to follow the same arrangements as previous years. For 2021/22 it is proposed that the Band D amount will remain at £1.75 and this will raise £97,909 in

funding for the SRA from the Council in 2021/22.

11 Special Expenses/Unparished Area Budget

- 11.1 From 2020/21 the Charter Trustees have been required to precept directly for the mayoralty and related civic costs plus their own governance/admin costs. The Council have also maintained an element of special expenses for the unparished area related to local service costs that a town/parish might provide if in existence but is beyond the scope of the Charter Trustees.
- 11.2 The Executive propose to precept £29,093 in special expenses for the Unparished Area of Taunton. This results in an annual council tax rate at £1.91 for a Band D for the Unparished Area of Taunton. (Note: For referendum purposes we have to measure this as though it is a charge for the whole area, which equates to £0.52 for Band D.)

12 Fees and Charges

- 12.1 The Council's Constitution delegates the approval of Fees and Charges (with the exception of Car Parks) to the S151 Officer. Therefore the increase in all other fees and charges was approved by the S151 Officer in January 2021, in consultation with SMT and the Corporate Resources Portfolio Holder. Fees and charges are set on the principles of full cost recovery where appropriate or an inflationary increase in line with the financial strategy approved by the Executive.
- 12.2 **Car Parking Christmas Charges** – in line with recent years it is proposed to suspend parking charges as detailed below on the three Saturdays leading up to Christmas and on one Sunday in Dulverton. This has been subject to an annual portfolio holder decision however Council is asked to support this as an ongoing policy, pending a full review of the Parking Strategy. The budget estimates for parking income reflect this assumption:
- (a) Free parking will apply all day; from 00:00 to 23:59 on the three Saturdays (subject to car park opening hours) in Minehead and West Somerset Car Parks.
 - (b) Free parking will apply from 15:00 to 23:59 on the three Saturdays (subject to car park opening hours) in Taunton Car Parks.
 - (c) Free parking will apply all day; from 00:00 to 23:59 on one Sunday (subject to car park opening hours) in Dulverton Car Parks to support the Dulverton by Starlight events.

13 General Reserves

- 13.1 The current reserves position is shown below. The General Reserve has been boosted in 2020/21 to ensure the Council could cope with the Pandemic and maintain adequate reserves, as well as provide flexibility in the next 2-3 years to soften the budget gap. The table below shows the amount transferred to reserves and approvals for supplementary budget in year. Recent forecast outturn projections for the 2020/21 budget predict an overall overspend of £551,000. The provisional forecast of the reserves position at the start of the next financial year at £7.871m.
- 13.2 The current MTFP assumes using £2.66m of reserves across 2021/22-2022/23 reducing the General Reserves balance to £5.211m. The proposed budget includes a risk regarding the level of car parking income that will be achieved during 2021/22, with current year income significantly affected due to COVID restrictions, and therefore it is recommended that the minimum balance is increased to reflect this risk. The S151 Officer will complete the assessment of recommended minimum reserves in January

and include his recommendation in the budget report to the Executive in February. Using any more General Reserves towards balancing the budget moving forward is not sustainable in the medium term.

Table 7 – General Reserves Balance

	Approval	£k
Balance brought forward 1 April 2020		4,522
2020/21 Original Budget Transfer to Reserve	Council - 19/2/20	300
Approved - From Earmarked Reserves review	Exec 28/10/20	1,218
Proposed - From NHB reserve	Council - 15/12/20	3,949
Proposed - From BR Volatility reserve	Council - 15/12/20	1,000
Approved - Town Centre Recovery	Council - 29/9/20	-500
Approved - Unitary Programme Delivery Funds	Exec - 23/9/20	-249
Approved - Climate Change Fund	Council – 26/10/20	-500
Approved - Tree Planting	Officer – 23/09/20	-18
Proposed - 2020/21 COVID overspend	Council – 15/12/20	-657
Projected Balance after current commitments		9,065
Projected Outturn - COVID (Month 6 forecast) (657-625)		32
Projected Outturn - Non-COVID (Month 6 forecast)		74
COVID Contingency 2020/21		-1,300
Projected Balance 31 March 2021		7,871
MTFP Planned use of reserves 2021/22		-1,410
MTFP Planned use of reserves 2022/23		-1,250
Projected uncommitted balance		5,211
Current Recommended Minimum Balance (to be reviewed in January to consider updated financial and budget risks, likely to be increased)		2,400

14 Earmarked Reserves

- 14.1 The General Fund Earmarked Reserves brought forward balance for 2020/21 is £20.586m. The budgeted transfers to earmarked reserves in 2020/21 are £2.448m. The following transfers from reserves have been approved: return £6.167m to General Reserves (£1m from the Business Rates Volatility Reserve, £3.949m from NHB and £1.218m identified surpluses from a range of other reserves). Under emergency powers in March the Chief Executive also approved a contribution of £1m from the NHB reserve towards funding COVID pressures, and this is included within the forecast for this year.
- 14.2 The following table details those reserves with balances greater than £500,000.

Table 8 – General Fund Earmarked Reserves

	Balance 1 April 2020 £'000	2020/21 Budgeted Transfers £'000	Approved Return to General Reserves £'000	Projected Transfers £'000	Projected Balance 31 March 2021 £'000	21/22 Budgeted Reserves transfer £000	Projected Balance 31 March 2022 £000
Business Rates Volatility	3,303	2,031	-1,000		4,334	1,595	5,929
Business Rates S31 Grant	0	0	0	13,634	13,634	-11,771	1,863
Investment Risk	3,500	0			3,500		3,500
NHB	6,860	-409	-3,949		2,502		2,502
Garden Town	814	-65			749		749
Asset Management	687				687		687
Economic Development Initiatives	1,268				1,268		1,268
Community Housing*	569				569		569
Other Smaller Balances	3,585	-108	-1,218		2,259		2,259
Total	20,586	2,249	-6,167	-13,634	30,302	-10,176	20,126

*ring-fenced grant

14.3 It is anticipated there will be a large Business Rates S31 Grant reserve created in 2020/21 to set aside grant from Government that will be needed to mitigate the Collection Fund Deficit in the 2021/22 budget. This will include grant towards the Business Rates Holiday in 2020/21 for retail, hospitality and leisure properties (estimated £10.8m), and the 75% tax loss compensation grant (estimated £2.8m). Part of the deficit, excluding the business rates holiday element, may be spread over 3 years therefore the allocation from reserves will also include an element of spreading. Final figures will be confirmed through the outturn report at the end of the current financial year.

15 Medium Term Financial Plan (MTFP) Summary

15.1 Although the draft budget shows plans to close the budget gap and set a balanced budget for 2020/21 there is structural gap from 2021/22 onwards which presents a challenge. Members will need to consider options to close this gap in future years which could include increasing income, driving efficiency and reducing costs. This could have an impact upon services but it is essential that measures are agreed to ensure ongoing financial sustainability.

15.2 The current MTFP forecast is summarised below, reflecting the proposed budget for 2021/22 and the updates described in the report including the impact in future years. There is still uncertainty around the future funding from government and the expected reduction in funding from NHB and Business Rates Retention has contributed significantly towards the increasing budget gap from 2021/22 onwards.

Table 9 - Draft MTFP Summary 2020/21 to 2025/26

	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Net Services Costs	19,263,288	20,908,641	22,033,016	22,385,336	22,996,916	23,898,136
Investment Property Net Income	-947,100	-3,407,100	-3,407,100	-3,827,100	-3,827,100	-3,827,100
Net Financing Costs	-141,100	497,600	1,003,910	807,020	780,130	773,240
SRA Contribution	98,787	97,909	97,909	98,888	99,877	100,876
Special Expenses	29,240	29,093	29,093	29,384	29,678	29,974

	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Earmarked Reserves	2,448,165	1,595,466	-310,417	109,583	420,000	420,000
General Reserves	300,000	-1,410,000	-1,250,000	0	0	0
Net Expenditure	20,051,280	18,311,609	18,196,411	19,603,111	20,499,501	21,395,126
Retained Business Rates	-6,220,597	-5,692,349	-3,660,318	-3,732,229	-3,804,142	-3,876,053
Business Rates prior year surplus/deficit	-2,070,739	12,081,670	1,241,665	1,241,665	0	0
Business Rates Holiday S31 Grant	0	-10,840,000	0	0	0	0
Business Rates Losses S31 Grant	0	-931,250	-931,250	-931,250	0	0
Estimated Pooling Gain	0	-250,000	0	0	0	0
LCTS Grant	0	-224,736	0	0	0	0
Lower Tier Services Grant	0	-995,611	0	0	0	0
Revenue Support Grant	-6,444	-6,479	-6,479	-6,479	-6,479	-6,479
Rural Services Delivery Grant	-241,506	-253,432	-253,432	-253,432	-253,432	-253,432
New Homes Bonus	-3,253,289	-1,743,222	-851,411	0	0	0
Council Tax	-9,194,555	-9,392,528	-9,581,632	-9,871,837	-10,170,885	-10,478,951
Council Tax–SRA	-98,787	-97,909	-97,909	-98,888	-99,877	-100,876
Council Tax–Special Expenses	-29,240	-29,093	-29,093	-29,384	-29,678	-29,974
Council Tax prior year surplus/deficit	63,877	63,330	63,335	63,335	0	0
Net Funding	-21,051,280	-18,311,609	-14,106,524	-13,618,499	-14,364,493	-14,745,765
Budget Gap	0	0	4,089,887	5,984,612	6,135,008	6,649,361
Gap – Change on Previous Year	0	0	4,089,887	1,894,725	150,396	514,353

Note: The 2020/21 figures in this table relate to the Budget approved in February 2020, adjusted to separate the commercial investment income.

15.3 No costs or savings from the unitary bids have been included within the MTFP figures. The table above reflects the costs and income relating to SWTC only.

16 2021/22 General Fund Capital Programme and Funding

16.1 The current General Fund Capital Programme in 2020/21 includes approved projects totalling £101.17m summarised in the table below and the full list of projects is shown in Appendix B. Additionally, Council has approved further capital investment in future years including regeneration and properties for yield.

Table 10 - Summary of Existing Capital Approvals

Capital Expenditure	2020/21 Capital Budget £	Forecast Outturn 2020/21 £	Forecast Outturn 2021/22 £	Forecast Outturn 2022/23 £	Forecast Outturn 2023/24 £	Forecast Outturn 2024/25 £	Total Expenditure
Development and Place	88,973,727	64,485,792	17,852,869	3,500,000	2,208,000	1,000,000	89,046,661
External Operations	5,583,141	2,343,554	3,254,210	0	0	0	5,597,764
Internal Operations	1,229,500	732,503	507,108	0	0	0	1,239,611
Housing	5,387,525	3,107,895	409,662	400,000	0	0	5,387,525

Existing approvals – total future years	0	0	65,590,902	20,380,739	26,021,936	0	111,993,577
Sub-Total	101,173,893	70,669,744	89,084,718	24,280,739	28,229,936	1,000,000	213,265,138

16.2 There have been a number of bids for the General Fund Capital Programme (shown in Table 11 below). It is proposed for the 21/22 budget process to consider bids for the next two years. The total cost of bids to be considered is £5.1m (£3.1m 21/22 and £2m 22/23).

16.3 It is intended to avoid increasing the borrowing requirements for GF schemes when financing the proposals for 2021/22 and 2022/23 new bids. Therefore in order for the total spend to be affordable it is proposed to establish a new capital receipts target of £2m to be generated over the next 1-2 years (to add to existing capital reserves) so that capital spending on some schemes will only be progressed when we know the income has been received to finance it. There are some items which will be funded by grants totalling £1,793,240 or via a contribution from the revenue budget for existing recurring schemes totalling £615,000. If all of the schemes were to be approved the capital receipts requirement would be £2.7m (using current uncommitted receipts plus the new income target).

Table 11 – Capital Bids and Proposed Funding

	Capital Bids 2021/22 £	Capital Bids 2022/23 £	Total Bids £	Capital Receipts £	Grants / Revenue £	Total Financing £
Development & Place						
Employment Land Schemes	275,000	300,000	575,000	575,000		575,000
External Operations						
Disabled Facilities Grants	400,000	400,000	800,000		800,000	800,000
Rewire and lighting replacement - Orchard Car Park	150,000	0	150,000	150,000		150,000
Compliance for Assets	382,360	222,360	604,720	604,720		604,720
Car Parks Capital Improvements	709,000	0	709,000	709,000		709,000
New Boiler at Crematorium	20,000	0	20,000	20,000		20,000
Wellington Park Lodge Improvements	20,000	0	20,000	20,000		20,000
Leisure Grants to Clubs and Parishes	15,000	15,000	30,000	15,000	15,000	30,000
Taunton Deane area Play Equipment	64,000	20,000	84,000	64,000	20,000	84,000
New/Replacement Waste Containers	100,000	100,000	200,000	100,000	100,000	200,000
Open Spaces Vehicles Replacement	252,000	152,000	404,000	252,000	152,000	404,000
Open Spaces Plant and Equipment	23,000	23,000	46,000	23,000	23,000	46,000
Internal Operations						
Deane Helpline	25,000	25,000	50,000	25,000	25,000	50,000
Desktop Hardware Refresh	90,000	280,000	370,000	90,000	280,000	370,000
Improvement and Efficiency Programme Resources	95,000	0	95,000	95,000		95,000
Housing						
Energy Efficiency Grants	91,000	91,000	182,000		182,000	182,000
Home Maintenance	160,000	160,000	320,000		320,000	320,000
Prevention Grants	245,620	245,620	491,240		491,240	491,240
Total bids	3,116,980	2,033,980	5,150,960	2,742,720	2,408,240	5,150,960

- 16.4 For any borrowing that we would need to undertake this will be managed in line with the approved Treasury Management Strategy and Full Council delegate's responsibility for all treasury arrangements to the S151 Officer.
- 16.5 The PWLB is not available to SWT this year, and it is assumed for the next 2 years, under the new rules as the Council has an approved strategy of investing in property assets for income to pay for local services. Therefore the Council will need to use alternative sources for borrowing and our Treasury advisors continue to provide reassurance that alternative options are available, for example from other local authorities.
- 16.6 The Capital, Investment and Treasury Strategies will be presented to Full Council in March and will provide more information regarding the financing strategy for the Capital Programme.

17 Robustness of Budget Estimates and Adequacy of Reserves

- 17.1 Under Section 25 of the Local Government Act 2003 the S151 officer is required to report to Council on the robustness of the estimates made for the purpose of calculations of the budget and the adequacy of the proposed financial reserves. The S151 Officer's statement will be included in the Executive and Full Council reports.

18 Links to Corporate Strategy

- 18.1 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 2021.

19 Legal Implications

- 19.1 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.

20 Climate and Sustainability Implications

- 20.1 The delivery of the Council's climate and sustainability objectives are embedded in many of the Council's revenue and capital budget proposals for both General Fund and Housing Revenue Account services. The 2021/22 GF Revenue Budget includes a further £500,000 allocation towards the implementation of the Carbon Neutrality and Climate Resilience Action Plan, adding to the £500,000 allocated from general reserves in 2020/21 for this priority.

21 Partnership Implications

- 21.1 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.

22 Health and Wellbeing Implications

- 22.1 Any relevant information and decisions with regard to health and wellbeing will be reported as these emerge through the financial planning process.

23 Asset Management Implications

- 23.1 The proposed budget includes an increase in the General Fund Asset Landlord and Compliance works. Priorities will be determined in line with the Asset Management Plans in place.

24 Scrutiny Comments / Recommendation(s)

- 24.1 Comments are invited at this meeting, for consideration by the Executive and in forming recommendations to Members to approve the 2021/22 Budget and address the ongoing financial sustainability of the Council.

Democratic Path:

- **Scrutiny – 27 January 2021**
- **Executive – 9 February 2021**
- **Full Council – 18 February 2021**

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	Breakdown of Total Spending on Services
Appendix B	Capital Programme Summary

Contact Officers

Name	Emily Collacott
Direct Dial	01823 218742
Email	e.collacott@somersetwestandtaunton.gov.uk
Name	Paul Fitzgerald
Direct Dial	01823 257557
Email	S151@somersetwestandtaunton.gov.uk

General Fund

Cost/Ctr	Service Area	Draft Budget 2021-22 (£)
Senior Management Team		554,210
SM000G	Senior Management Team	554,210
Internal Operations		9,213,040
Corporate:		5,473,040
FB000G	Comms and Engage Oper Costs	191,580
SH014G	Comms and Engagement	234,090
CC004G	SHAPE Legal Partnership	410,150
FC000G	Governance	406,610
SC001G	Register of Elections	64,350
SC002G	Conducting Elections	14,930
SC004G	Members	498,540
SC006G	Internal Audit	132,320
SG007G	Health and Safety at Work	80,200
SH001G	ICT Infrastructure	1,173,190
SH002G	ICT Communications	350,050
SH003G	ICT Systems	551,020
RH000G	Internal Change	272,940
FE000G	People - HR	959,770
SC003G	Learning & Develop	133,300
Customer:		2,175,800
SE018G	Business Intelligence	281,790
SE020G	Business Operations	671,530
SE006G	Deane Helpline	(108,890)
SE012G	Customer Contact Centre	1,000,450
SE030G	Visitor Centres	(22,480)
SE019G	Digital Mailroom	0
SE029G	Income Control and Sundry Debt	342,910
SE009G	Council Tax Collection (rev)	66,170
SE010G	Council Tax Support (Benefits)	77,580
SE059G	Powys Fraud Contract	30,250
SE014G	Discretionary Housing Payments	0
SE041G	Rent Allowances	(159,930)
SE042G	Rent Rebates	(80,080)
SE048G	Universal Credit	0
FC001G	Strategy	76,500
Finance:		1,564,200
SC007G	Non-Distributed Costs	1,904,460
SC009G	Corporate Management	(1,223,480)
SH004G	Insurance	97,030
SH012G	Finance	786,190

Cost/Ctr	Service Area	Draft Budget 2021-22 (£)
	Housing Directorate	3,028,290
	Housing & Communities:	1,580,930
HS015G	GF Homelessness Team	735,550
SE026G	Homelessness	642,000
SE022G	Housing Enabling	154,980
SE023G	Housing Options	48,400
SE028G	Homefinder	0
SE027G	Rough Sleepers Initiative	0
	Housing Development & Regeneration:	942,370
HS023G	Housing Strategy Team	107,880
HS014G	Housing Enabling Team	153,690
HS021G	Community Resilience	292,700
SF003G	Community Grants	215,870
SE007G	Community Safety	128,460
SF020G	Community Chest Fund	0
SC008G	Shopmobility	43,770
	Housing Property:	504,990
HS003G	Corporate Property Team	329,370
CC008G	Housing Partnership	175,620
	Development & Place Directorate	2,230,860
	Strategic Place Planning:	1,695,090
FD000G	Strategy and Policy	797,480
RD000G	Strategy - Staffing Costs	0
SD001G	Planning Policy	0
SD002G	Garden Town	118,480
SE033G	Local Land Charges	(58,150)
PG007G	Taunton BID	0
SE011G	Culture & The Arts	202,890
SE015G	Economic Development	551,680
SE036G	Planning Applications	137,070
SE008G	Conservation & Listed Build	55,150
SE045G	Sports Develop & Community	40,000
SE038G	Planning Applications & Advice	(84,820)
SG005G	Indoor Sports & Recreation	(7,690)
SE005G	Community Infrastructure Levy	(57,000)
	Major and Special Projects:	535,770
CC000G	Major and Special Projects	396,080
PG009G	Growth Programme	150,000
RG000G	CIC - Staffing Costs	0
PG011G	Regeneration & Infrastructu	1,190
SG100G	Hinkley	(11,500)

Cost/Ctr	Service Area	Draft Budget 2021-22 (£)
	External Operations & Climate Change Directorate	8,183,351
	Climate Change & Assets:	
	<u>Asset Management</u>	1,435,660
SG003G	Asset Management	827,810
SG008G	Deane House	410,780
SG009G	Westpark	135,530
SG010G	Roughmoor Depot	(25,610)
SG011G	Brunel Way Depot	36,900
SG012G	West Somerset House	89,700
SG013G	Roughmoor Enterprise Centre	16,780
SG014G	Barnsclose Units	3,770
SG024G	Seaward Way	(60,000)
	<u>Climate Change</u>	723,110
SD004G	Climate Change	723,110
	<u>Facilities Management</u>	250,190
SG004G	Central Service Overheads	104,380
SG006G	Facilities Management	145,810
	<u>Floods & Harbours</u>	499,821
SF005G	Flood Defence & Land Drainage	401,451
SF006G	Harbours	87,370
SF008G	Coast Protection	11,000
	<u>Licensing</u>	(39,070)
SE032G	Licensing	34,540
SE043G	Taxi Licensing	(73,610)
	<u>Private Sector Housing</u>	243,660
SE016G	Dog Warden Service	36,010
SE039G	Pollution Control	(8,120)
SE040G	Private Sector Housing	215,770
	<u>Public Health</u>	567,520
SE017G	Public Health	513,630
SE021G	Food Safety	21,890
SE046G	Welfare Funerals	32,000
SF009G	Pest Control	0

Cost/Ctr	Service Area	Draft Budget 2021-22 (£)
	Commercial Services:	
	<u>Bereavement Services</u>	(699,870)
SF002G	Bereavement Services	(699,870)
	<u>Major Contracts</u>	6,576,710
CC001G	Leisure Partnership	535,160
CC002G	Building Control Partnership	58,060
CC003G	Street Cleaning Partnership	1,197,060
CC007G	Waste Partnership	4,403,160
CC009G	Major Contracts	198,520
CC010G	Fleet Management	184,750
	<u>Parking</u>	(3,832,370)
CC005G	Park & Ride Contribution	200,000
CC006G	Parking Partnership	(4,032,370)
	<u>Planning Obligations</u>	69,610
SE035G	Planning Obligations	69,610
	<u>Street Scene & Open Spaces</u>	2,259,790
FF000G	Localities - Operational Costs	10,710
RF000G	Localities - Staffing Costs	0
SF001G	Grounds Maintenance	289,510
SF004G	Community Parks & Open Spaces	1,554,500
SF007G	Nursery	84,690
SF021G	Trees	177,860
SF022G	Play Areas	102,520
SF010G	Operation Clean Sweep	40,000
	<u>Emergency Planning</u>	128,590
SC005G	Emergency Planning	128,590
Various	Technical Capital Accounting Adjustments	(2,301,110)
	Net Total Spending on Services	20,908,641

	Budget and Forecast Expenditure							Estimated Financing Projections									
Description	Total 2020/21 Capex budget	Forecast Capital outturn 2020/21	Forecast Capital Outturn 2021/22	Forecast Capital Outturn 2022/23	Forecast Capital Outturn 2023/24	Forecast Capital Outturn 2024/25	Total Expenditure	Capital Grants CIL	Capital Grants Other	Section 106 Agreements	Capital Receipts	General Fund RCCO	New Homes Bonus Reserve	Capital Funding Reserve	Other Earmarked Reserves	Borrowing	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
General Fund																	
Development & Place: Dawn Adey																	
Investment Properties	50,000,000	40,000,000	10,000,000	0			50,000,000									50,000,000	50,000,000
Taunton Bus Station	77,068	77,068	0	0			77,068									77,068	77,068
Coal Orchard Construction	10,057,527	9,936,819	120,708	0			10,057,527		870,000		147,822		1,212,178			7,827,527	10,057,527
Coal Orchard Dev costs	293,097	37,862	255,235	0			293,097						0			293,097	293,097
Major Transport Schemes	580,000	0	580,000	0			580,000						0			580,000	580,000
Emp Site Enabling Innovation	100,000	0	100,000	0			100,000						60,000			40,000	100,000
Creech Castle Improvement	0	0	0	0			0										0
Superfast Broadband (Legacy TD)	380,000	0	380,000	0			380,000				380,000		0				380,000
Superfast Broadband (Legacy WSC)	170,000	0	170,000	0			170,000				170,000						170,000
Steam Coast Trail	102,186	0	102,186	0			102,186		102,186								102,186
Seaward Way	2,056,314	1,774,848	281,466	0			2,056,314									2,056,314	2,056,314
Firepool Development	475,895	115,895	360,000	0			475,895						0			475,895	475,895
Firepool Master Planning	2,989,245	2,485,866	503,378	0			2,989,245						724,000		550,000	1,715,245	2,989,245
Great Western Railway Development Loan	5,000,000	5,000,000	0	0			5,000,000									5,000,000	5,000,000
J25 Improvement Scheme Contribution	1,500,000	1,500,000	0	0			1,500,000									1,500,000	1,500,000
Flooding Alleviation	6,000,000	30,000	2,262,000	2,500,000	1,208,000	0	6,000,000	5,762,100		237,900			0				6,000,000
CIL - Cycle & Pedestrian Improvements	500,000	0	500,000	0			500,000	500,000									500,000
CIL - Education Provision	4,000,000	0	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000	4,000,000									4,000,000
CIL - Public Transport Improvements	0	0					0										0
CIL - Town centre regeneration	500,000	0	500,000	0	0		500,000	500,000									500,000
GF C CIL Grant	0	53,099	0	0			53,099									53,099	53,099
GF C Deane House Accommodation	0	19,834	0	0			19,834									19,834	19,834
Toneworks Wellington	500,000	500,000	0	0			500,000		0				500,000				500,000
GF C Taunton Tech. Park	0	0	0	0			1										0
GF C Firepool Land Assembly	0	(0)	0	0			(0)										0
GF C Parking & Access & Signag	0	(0)	0	0			(0)										0
Stogursey Victory Hall	637,896	0	637,896	0			637,896			637,896							637,896
Regeneration Projects	2,954,500	2,954,500	(0)	0			2,954,500									2,954,500	2,954,500
Innovation Centres	100,000	0	100,000	0			100,000						100,000			0	100,000
							0										
Total Development & Place	88,973,727	64,485,792	17,852,869	3,500,000	2,208,000	1,000,000	89,046,661	10,762,100	972,186	875,796	697,822	0	2,596,178	0	550,000	72,592,579	89,046,661
External Operations: Andrew Pritchard																	
Unparished Area Grants	11,000	11,000	0				11,000							11,000			11,000
Vehicles Acquisition	152,000	43,800	108,200				152,000				152,000						152,000
Waste Containers	100,000	100,000	0				100,000				100,000						100,000
Grants to Parishes Play	15,000	15,000	0				15,000					15,000					15,000
Replacement Play Equipme	64,000	64,000	0				64,000									64,000	64,000
SWP Waste Vehicle Loan	874,795	874,795	0				874,795									874,795	874,795
Plant	23,000	23,000	0				23,000				23,000						23,000
Crematorium Waiting Room	30,000	44,623	0				44,623									44,623	44,623
Watchet East Quay Development Loan (OC)	1,500,000	1,965	1,498,035				1,500,000									1,500,000	1,500,000
Cuckoo Meadow Play Area	1,103	1,103	0				1,103		1,103								1,103
Minehead Esplande	15,147	0	15,147				15,147		15,147								15,147
Leisure	1,000,000	0	1,000,000				1,000,000									1,000,000	1,000,000
Watchet Splashpoint Hole	704,096	704,096	0				704,096									704,096	704,096
Wellington Leisure Centre Air Handling Unit	253,000	253,000					253,000									253,000	253,000
East Quay Wall	840,000	207,172	632,828				840,000									840,000	840,000
Onion Collective Grant	0	0	0				0										
Blue Anchor Coast Defence Work	0	0	0				0										
Total External Operations	5,583,141	2,343,554	3,254,210	0	0	0	5,597,764	0	16,250	0	275,000	15,000	0	11,000	0	5,280,513	5,597,764
	0	0															0
Internal Operations: Alison North																	
Members IT Equipment	4,000	0	4,000				4,000				4,000						4,000
Change Programme	211,360	0	211,360				211,360				211,360					0	211,360
Community Alarms	25,000	25,000	0				25,000				25,000						25,000
IT Server Refresh	20,000	0	20,000				20,000							20,000		0	20,000

	Budget and Forecast Expenditure							Estimated Financing Projections									
Description	Total 2020/21 Capex budget	Forecast Capital outturn 2020/21	Forecast Capital Outturn 2021/22	Forecast Capital Outturn 2022/23	Forecast Capital Outturn 2023/24	Forecast Capital Outturn 2024/25	Total Expenditure	Capital Grants CIL	Capital Grants Other	Section 106 Agreements	Capital Receipts	General Fund RCCO	New Homes Bonus Reserve	Capital Funding Reserve	Other Earmarked Reserves	Borrowing	TOTAL
Resources for Change Programme	360,000	107,725	252,275				360,000				360,000						360,000
Finance System	76,770	76,770	0				76,770				76,770						76,770
SIP	353,700	353,700	0				353,700				38,870					314,830	353,700
Transformation	0	6,847	0				6,847									6,847	6,847
PC Refresh Project	46,500	27,027	19,473				46,500				46,500						46,500
Microsoft 365 Migration	132,170	132,170	0				132,170									132,170	132,170
IT Infrastructure Project		3,264	0				3,264									3,264	3,264
Total Internal Operations	1,229,500	732,503	507,108	0	0	0	1,239,611	0	0	0	762,500	0	0	20,000	0	457,111	1,239,611
	0																0
Housing: James Barrah																	
Grants to Registered Social Landlords	1,625,381	454,253	1,171,128				1,625,381			1,437,879	187,502						1,625,381
Disabled Facilities Grant (DFG)	2,653,642	2,653,642	0				2,653,642		2,653,642								2,653,642
North Taunton Equity loans	1,000,000	0	600,000	400,000			1,000,000		1,000,000								1,000,000
Gypsy / Traveller Site	108,502	0	108,502				108,502							108,502			108,502
Total Housing	5,387,525	3,107,895	1,879,630	400,000	0	0	5,387,525	0	3,653,642	1,437,879	187,502	0	0	108,502	0	0	5,387,525
	0																
Existing approvals for future years (mainly regeneration and investment)	0	0	65,590,902	20,380,739	26,021,936	0	111,993,577	2,500,000								109,493,577	111,993,577
Total Other Exiting Approvals	0	0	65,590,902	20,380,739	26,021,936	0	111,993,577	2,500,000	0	0	0	0	0	0	0	109,493,577	111,993,577
General Fund Total	101,173,893	70,669,744	89,084,718	24,280,739	28,229,936	1,000,000	213,265,137	13,262,100	4,642,078	2,313,675	1,922,824	15,000	2,596,178	139,502	550,000	187,823,781	213,265,137

Proposed Capital Bids for 2021/22 and 2022/23:

	Expenditure							Estimated Financing Projections									
2021/22 BUDGET - NEW BIDS			Capital Bids 2021/22	Capital Bids 2022/23			Total Expenditure	Capital Grants CIL	Capital Grants Other	Section 106 Agreements	Capital Receipts	General Fund RCCO	New Homes Bonus Reserve	Capital Funding Reserve	Other Earmarked Reserves	Borrowing	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Development & Place																	
Employment Land Schemes			275,000	300,000			575,000				575,000						575,000
	0	0	275,000	300,000	0	0	575,000	0	0	0	575,000	0	0	0	0	0	575,000
External Operations																	
Disabled Facilities Grants			400,000	400,000			800,000		800,000								800,000
Rewire and lighting replacement - Orchard Car Park			150,000	0			150,000				150,000						150,000
Compliance for Assets			382,360	222,360			604,720				604,720						604,720
Car Parks Capital Improvements			709,000	0			709,000				709,000						709,000
New Boiler at Crematorium			20,000	0			20,000				20,000						20,000
Wellington Park Lodge			20,000	0			20,000				20,000						20,000
Leisure Grants to Clubs and Parishes			15,000	15,000			30,000				15,000	15,000					30,000
Taunton Deane area Play Equipment Replacement			64,000	20,000			84,000				64,000	20,000					84,000
New/Replacement Waste Containers			100,000	100,000			200,000				100,000	100,000					200,000
DLO Vehicles Replacement			252,000	152,000			404,000				252,000	152,000					404,000
DLO Plant and Equipment			23,000	23,000			46,000				23,000	23,000					46,000
	0	0	2,135,360	932,360	0	0	3,067,720	0	800,000	0	1,957,720	310,000	0	0	0	0	3,067,720
Internal Operations																	
Deane Helpline			25,000	25,000			50,000				25,000	25,000					50,000
Desktop Hardware Refresh			90,000	280,000			370,000				90,000	280,000					370,000
Members IT			0	0			0				0	0					0
Improvement and Efficiency Programme			95,000	0			95,000				95,000	0					95,000
	0	0	210,000	305,000	0	0	515,000	0	0	0	210,000	305,000	0	0	0	0	515,000
Housing																	
Energy Efficiency Grants			91,000	91,000			182,000		182,000								182,000
Home Maintenance			160,000	160,000			320,000		320,000								320,000
Prevention Grants			245,621	245,621			491,242		491,242								491,242
	0	0	496,621	496,621	0	0	993,242	0	993,242	0	0	0	0	0	0	0	993,242
Total bids	0	0	3,116,981	2,033,981	0	0	5,150,962	0	1,793,242	0	2,742,720	615,000	0	0	0	0	5,150,962

Estimated Total Capital Programme	101,173,893	70,669,744	92,201,699	26,314,720	28,229,936	1,000,000	218,416,099	13,262,100	6,435,320	2,313,675	4,665,544	630,000	2,596,178	139,502	550,000	187,823,781	218,416,099
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