

Shadow Executive - 11 February 2019

Present: Councillor J Williams (Chairman)

Councillors A Trollope-Bellew, R Habgood, J Warmington, M Dewdney, A Hadley, S Pugsley and A Sully

Officers: Brendan Cleere, Paul Fitzgerald, Chris Hall, James Hassett, Jo Humble, Andrew Randell, Andrew Stark and Rosie Walsh

Also Present: Councillors S Dowding and P Murphy

(The meeting commenced at 4.30 pm)

55. **Apologies.**

There were no apologies to note.

56. **Minutes of the previous meeting of the Shadow Executive held on 22 January 2019.**

The minutes of the meeting held on 22 January 2019 were affirmed as a correct record.

57. **Declarations of Interest.**

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

Name	Minute No.	Member of	Action Taken
Cllr A Trollope-Bellew	All	Crowcombe	Spoke and voted

58. **Public Participation.**

No member of the public requested to speak.

59. **Housing Revenue Accounts (HRA) Budget Estimates 2019/20. Report of The Interim Head of Financial Services and Deputy s151 Officer of Taunton Deane Borough Council and West Somerset Council.**

The purpose of the report was to consider the HRA Budget Estimates. The Highlight report was introduced by Councillor Williams with the item presented by Andrew Stark.

A 1% reduction was proposed in the average weekly rent in 2019/20, in line with national policy. This would reduce the average weekly rent, from £81.69 per week to £80.87 per week in 2019/20.

The proposals included in the report would enable the Council to set a balanced budget for 2019/20.

During the discussion of this item the following comments were made and questions asked.

- Reference was made to the Scrutiny comments and an update to the timetable of asbestos works. Full responses would be circulated to Shadow Scrutiny and Executive. A breakdown of non-standard homes was also requested for Councillors.
- Many of the housing stock had been refurbished to the decent homes standard, these had an expected lifespan of 30-40 years. £5.8 million had been spent to ensure the decent homes standard with around a third of rental income spent to maintain the existing housing stock

RESOLVED that Shadow Executive recommended the draft HRA Revenue Budget, Capital Programme and proposed average weekly rent of £80.87 for 2019/20, to Shadow Council.

60. **Draft General Fund Revenue Budget and Capital Estimates 2019/20. Report of The The Interim Head of Financial Services and Deputy s151 Officer of Taunton Deane Borough Council and West Somerset Council.**

The purpose of the report was to consider the Draft General Fund Revenue Budget and Capital Estimates 2019/20.

The report set out the first revenue and capital budget proposals for the new Somerset West and Taunton Council. It combined the previous budgets of Taunton Deane and West Somerset Councils for the services they provide with updated assumptions in regard of the finance settlement for 2019/20 and other financial projections.

This report also set out the draft revenue and capital budget proposals for 2019/20 including an updated Medium Term Financial Plan (MTFP) and the proposed council tax for the first year of the new council.

The final funding settlement was issued by Government at the end of January, and included details regarding general revenue grant funding, New Homes Bonus, and business rates retention baseline and tariff. Overall the funding available to deliver services has increased in 2019/20:

- a) General funding, Revenue Support Grant had reduced by £443,641 to only £6,340 whilst Rural Services Delivery Grant has been kept at the same level of £241,506.
- b) New Home Bonus funding had reduced by £151,768 (4%).
- c) Retained business rates had increased by £972,599 reflecting business rates pooling and the 75% Business Rates Retention pilot scheme (18%).
- d) Share of National Levy Account Surplus of £59,037.
- e) An announcement of additional funding of £35,000 for each district council (covering 2018/19 and 2019/20) towards Brexit preparations.

Shadow Executive was minded to set a uniform annual Band D council tax rate of £157.88 which together with an increased tax base provided additional council tax income of £405,662 compared to 2018/19.

Shadow Executive was also minded to retain the annual council tax rate at £3.02 for a Band D for the Unparished Area of Taunton which would raise an additional £1,449 due to the tax base increase.

The 2019/20 draft budget also included a prior year net Collection Fund surplus of £1,448,216 (£1,331,905 business rates surplus, £116,311 council tax surplus).

Shadow Executive was also minded to transfer £1,331,905 to the business rates smoothing reserve in 2019/20 in respect of the business rates collection fund surplus, reflecting the need to mitigate funding volatility and risk under the business rates funding system.

During the discussion of this item the following comments were made and questions asked:-

- The finance team were commended on the detailed and comprehensive report.
- Harmonisation of Council Tax was considered positive news, this would maximize efficiency.
- The area setting out CIL in the report would be updated in the Full Council report.
- Members were requested to note the intent that there would likely be a budget update with a request for funding to be provided for service delivery. A Councillor briefing would be held before Council papers were sent out.
- The robustness of the budget was positive news for the new financial year. There were still significant risks and uncertainty, from funding settlements and the fair funding review.

RESOLVED that:-

- 1) Shadow Executive noted the forecast Medium Term Financial Plan and Reserves position, and notes the S151 Officer's Robustness Statement as set out in sections 21 to 23 of this report.
- 2) Shadow Executive recommends the 2019/20 Draft Budget to Shadow Council for approval.
- 3) Shadow Executive recommends to Shadow Council a basic band D council tax of £159.63, comprising £157.88 for services and £1.75 on behalf of the Somerset Rivers Authority.
- 4) Shadow Executive recommends Shadow Council approves the minimum reserves level at £2.4m.
- 5) Shadow Executive recommends to Shadow Council to approve the additions to the General Fund Capital Programme Budget of £10.274m for 2019/20, including the overall allocation of £13.864m in respect of the New Homes Bonus Growth Programme as set out in Table 10 and the £15.5m allocations for Community Infrastructure Projects as set out in Table 11, as amended with £1m moved from public transport to Education provision.

61. **Draft Capital Strategy 2019/20. Report of The Interim Head of Financial Services and Deputy s151 Officer of Taunton Deane Borough Council and West Somerset Council.**

The purpose of the report was to consider the Draft Capital Strategy 2019/20.

This capital strategy was a new report for 2019/20, giving a high-level overview of how capital expenditure, capital financing, and treasury management activities contributed to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

For comparison purposes the tables set out in the report show the combined position for Taunton Deane Borough Council and West Somerset Council for the years up to and including 2018/19.

Through Capital Expenditure, the Council spends money on assets, such as property or vehicles, which would be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has limited discretion on what counts as capital expenditure, for example assets costing below £10k are not capitalised and are charged to revenue in the year.

In 2019/20, the Council was planning capital expenditure of £20.309m as set out below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2017/18 Actual £m	2018/19 Forecast £m	2019/20 Budget £m	2020/21 Budget £m	2021/22 Actual £m
General Fund	5.998	11.726	10.722	13.194	12.692
HRA	10.126	8.973	9.587	9.699	7.632
Total	16.124	20.699	20.309	22.893	20.324

The main General Fund capital projects also included £16.6m for growth projects.

The Housing Revenue Account (HRA), being a ring-fenced account which ensured that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure was, therefore, recorded separately.

Service managers bid annually in September to include projects in the Council's Capital Programme. Bids are collated by Finance and the final Capital Programme is then presented to Scrutiny, the Executive and to Full Council in February each year.

Full details of the Council's capital programme was contained in the Draft General Fund Revenue Budget and Capital Estimates 2019/20 and the Housing Revenue Account (HRA) Budget Estimates 2019/20.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources

(revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Financing Initiative). The planned financing of the above capital expenditure was set out:

Table 2: Capital Financing

	2017/18 Actual £m	2018/19 Forecast £m	2019/20 Budget £m	Budget 2020/21 £m	Budget 2021/22 £m
External Sources	1.952	3.887	7.695	4.510	5.095
Own Resources	9.291	12.527	12.614	18.383	15.229
Debt	4.881	4.285	0	0	0
Total	16.124	20.699	20.309	22.893	20.324

Debt was a temporary source of finance, due to loans and leases needing to be repaid this is, therefore, replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) could be used to replace debt finance. Planned MRP repayments and the use of capital receipts were set out as follows:

Table 3: Replacement of Debt Finance

	2017/18 Actual £m	2018/19 Forecast £m	2019/20 Budget £m	Budget 2020/21 £m	Budget 2021/22 £m
MRP	2.632	2.364	2.276	2.326	2.326

The Council's MRP policy was available as Appendix A.

The Council's cumulative amount of debt finance is measured by the Capital Financing Requirement (CFR). This increased with new debt-financed capital expenditure and reduced with MRP repayments and capital receipts used to replace debt. Based on the above figures for expenditure and financing the Council's estimated CFR was as followed:-

	2017/18 Actual £m	2018/19 Forecast £m	2019/20 Budget £m	Budget 2020/21 £m	Budget 2021/22 £m
General Fund	14.402	13.859	13.404	12.899	12.394
HRA	104.848	100.729	103.355	101.534	99.713
Total	119.250	114.588	116.759	114.433	112.107

During the discussion of this item Members made comments and statements and asked questions, and the following main points were raised:

- New Investments would go through the Democratic path.
- The project risk due to the lack of commercial expertise was considered

RESOLVED that The Shadow Executive:-

- 1) Recommend the draft 2019/20 Capital Strategy for approval by Shadow Council.
- 2) Recommends the Council's Minimum Revenue Provision policy for approval, as set out in Appendix A for approval by Shadow Council.

62. **Draft Treasury Management Strategy Statement 2019/20. Report of The Interim Head of Financial Services and Deputy s151 Officer of Taunton Deane Borough Council and West Somerset Council.**

The purpose of the report was to consider the Draft Treasury Management Strategy Statement 2019/20.

The purpose of the report was to inform members of the recommended strategy for managing the Council's cash resources including the approach to borrowing and investments. This strategy had been prepared taking into account professional advice and information from the Council's treasury management advisor Arlingclose.

This strategy continued the previous approach adopted by Taunton Deane Borough Council and West Somerset Council of prioritising security and liquidity of cash over investment returns.

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

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfilled the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

During the discussion of this item Members made comments and statements and asked questions, and the following main points were raised:

- The impact of Brexit had been taken into account by the Councils treasury advisors. Future advice would be taken forward from treasury management activities.
- Appendix C detailing the debt position and treasury investments was considered a good position to be in.

RESOLVED that The Shadow Executive recommended the draft Treasury Management Strategy Statement for 2019/20 as included within the report for approval by Shadow Council.

63. **Draft Investment Strategy 2019/20. Report of the Interim Head of Financial Services and Deputy s151 Officer of Taunton Deane Borough Council and**

West Somerset Council.

The purpose of the report was to consider the draft Investment Strategy 2019/20.

The investment strategy was a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018.

For comparison purposes the tables in the report set out the combined position for Taunton Deane Borough Council and West Somerset Council for the years up to and including 2018/19.

The Council invests its money for three broad purposes:

- Surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

The strategy focused on the second and third of these categories.

The Council typically received its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. though payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is expected to fluctuate between £50m and £90m during the 2019/20 financial year.

The contribution that these investments make to the objectives of the Council is to support effective treasury management activities. Full details of the Council's policies and its plans for the 2019/20 treasury management investments are covered in a separate document, the treasury management strategy.

The Council lends money to local businesses, local charities and employees to support local public services and stimulate local economic growth.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to minimise this risk and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for Service Purposes

Category of Borrower	31.03.18 Actual			2019/20
	Balance	Loss	Net Figure	Approved

	Owing £m	Allowance £m	in Accounts £m	Limit £m
Local Businesses	2.043	(0.022)	2.021	20.000
Local Charities	0.902	(0.001)	0.901	3.000
Total	2.945	(0.023)	2.922	23.000

Accounting standards require the Council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Councils statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue payments.

During the discussion of this item Members made comments and statements and asked questions, and the following main points were raised:

- This was supported by Scrutiny, the scale of investment activity had increased.
- Any investment decision for future projects would be backed by the business case.
- An agreed Governance Framework would be set up, the correct people were involved in creating this.
- Funding raised relating to commercial investments would be undertaken being fully aware of the risks and growing expertise in skills and knowledge in this area.
- Further guidance would be provided in the coming months, investments would be proportionate to the scale suited to the authority with risks mitigated with an investment risk reserve.
- Government guidance was still to be provided in relation to this, there had been some questionable decisions made by some local authorities; taking advantage of opportunities was a main focus of the new authority including increasing the business rate base.

RESOLVED that the Shadow Executive recommends the draft Investment Strategy for 2019/20 as included within this report, for approval by Shadow Council.

64. **New Council Implementation Plan. Report of The Strategy Specialist and Senior Transformation Project Lead**

In May 2018 the order to create a new, single district-level council for Somerset West and Taunton were signed into law by the Secretary of State for Housing, Communities and Local Government confirming that the new Council would be created on 1 April 2019 and elections to the new Council would take place on 2 May 2019.

The order that created the new Somerset West and Taunton Council provided for the establishment of a Shadow Authority and Shadow Executive to operate

before Somerset West and Taunton Council takes on full responsibility on 1 April 2019.

Regulation 11 of The Somerset West and Taunton (Local Government Changes) Order 2018 provides that the Shadow Authority must prepare, keep under review, and revise as necessary an Implementation Plan. The Implementation Plan must include such plans, timetables and budgets as the Authority considers necessary to facilitate the economic, effective, efficient and timely discharge, on or after 1 April 2019, of the functions that, before that date, are the District Councils' functions.

The Shadow Authority must approve the Implementation Plan and delegate the functions conferred on it by Regulation 11 of the Changes Order to the Shadow Executive. Therefore, the Shadow Executive is responsible for keeping the Implementation Plan under review, and revising it, as necessary.

The focus of the Implementation Plan was to ensure the new council is legal, safe and functioning from 1 April 2019.

The Plan sought to identify all of the actions necessary to meet these objectives.

Due to the legislative path that is being followed to create the new council, there is no precedent regarding the individual elements that an Implementation Plan should include nor what form the Plan should take.

Officers have shared the initial draft with MHCLG officials and have also looked at the approach being adopted by other councils currently in the process of creating new councils who are following the same legislative path as ourselves, in order to help shape the content of our Plan.

At a high level, the Plan focuses on ensuring Somerset West and Taunton Council:-

- has the staff and contracts in place to deliver services to our community;
- can make lawful decisions (constitution, strategies, plans and policies);
- holds the necessary insurances, licences and permits to operate;
- has the necessary governance arrangements in place (statutory officers, auditors, committees);
- can order necessary goods and services;
- can pay its suppliers, members and staff;
- can set, bill and collect income.

During the discussion of this item Members made comments and statements and asked questions, and the following main points were raised:

- There were considered to be no new risks with the implementation plan still meeting the existing timetable.
- Representation on outside bodies was still to be finalised in documentation, This would be followed up with Christine Fraser and an update provided to Councillors.

- In light of the current transition in the Council an update was requested relating to the Transformation Programme and Programme Management within the Council.

RESOLVED that: the Shadow Executive noted the progress of the New Council Implementation Plan.

65. **Exclusion of Press and Public**

Resolved that the press and public be excluded during consideration of item 9 on the grounds that, if the press and public were present during the item, there would be likely to be a disclosure to them of exempt information of the class specified in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended as follows: The item contained information that could release confidential information that related to the financial or business affairs of any particular person (including the authority holding that information). It was therefore agreed that after consideration of all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

66. **Watchet East Quay Development. Report of The Localities Manager (attached).**

The Watchet East Quay Development was introduced Councillor Dewdney and presented by Chris Hall

This report updated Members on the recent progress made with The Onion Collective and sought approval of the lease on part of the land at Easy Quay, Watchet, and approval of a loan to bridge their reducing funding gap.

Each of these aspects supported The Onion Collective in their bid to the Coastal Communities Fund (CCF) for a portion of the overall development cost.

This report follows on from an all Member update briefing on the proposed development and bid for grant funding that took place on 12th December 2018.

- The proposals were considered key to the regeneration of Watchet.
- Councillors congratulated the Onion Collective and supported the work done.
- This was considered important for the New Council that the development was pursued in this area.
- It was understood that due to the timescales that this meant it couldn't be added to the Scrutiny agenda.
- Concerns were expressed over the confidential appendices and availability of information relating to the loan.
- An All Councillor briefing would be arranged for West Somerset Councillors before the Full Council meeting to be held on 20 February

RESOLVED that:-

The Shadow Executive committee is recommended to support to West Somerset Full Council:

- 1) The award of the lease under the terms set out in the report upon resolution of the conditions in the confidential appendixes, with delegated authority to Head of Localities in consultation with the Leader of the Council to negotiate the final terms.
- 2) The principle of capital financing loan to The Onion Collective for the sum of up to £1.5m with delegated authority to the Head of Localities & S151 officer in consultation with the Leader of the Council to negotiate the final terms. Provision for such a loan to be included in the Capital Programme for 2019/20.

67. **North Taunton Woolaway Project. Report of The Lead Specialist - Place.**

The North Taunton Woolaway Project was introduced by Jo Humble and supported by Rosie Walsh.

- There were five phases to the project to mitigate risk.
- Some residents were to return to the properties although some were due to settle elsewhere. The tenure mix and unit sizes were to be improved.
- The affordability of the units were checked before letting.
- Units were built to the energy efficiency of building regulations. Electric charging points were considered a possibility.
- The future risk of non-compliance was considered, this would be reported back at a further update.
- Residents were being worked with closely, consultation had been undertaken with residents informed and reassured.
- Councillors commended officers on all the hard work undertaken.

RESOLVED that the Shadow Executive recommended

- 1) The Council approve the project and the progression of the scheme. Council delegates the decisions to progress matters for the scheme to be determined by the Head of Commercial, Investment and Change in consultation with the relevant Portfolio Holder.
- 2) The Council approves the proposed funding of the scheme utilising a combination of capital receipts, Social Housing Development Fund revenue contribution, and capital borrowing. Council delegates the final funding arrangement to be determined by the S151 Officer in line with the Council's capital and treasury strategies, prioritising affordability for the Housing Revenue Account.
- 3) The Council approves a supplementary budget of £7,200,000 within the HRA Capital Programme for Phase A of the North Taunton Woolaway Project.
- 4) Approval is granted to serve Initial and Final Demolition Notices, and for the demolition of properties to enable site clearance to facilitate new development for the whole scheme.

- 5) The Council approves the principle to utilise Compulsory Purchase Powers using section 17 of the Housing Act 1985, should Vacant Possession not progress to acquire properties under the regeneration initiative detailed in this report, and to delegate such decision making to the Executive.

68. **Forward Plan**

The purpose of this item was to approve the Forward Plan.

RESOLVED that the Shadow Executive's Forward Plan be circulated to Members of the Shadow Executive after the meeting.

69. **Future Meeting Dates**

The next meeting date had been agreed:-

- Shadow Executive – 26 March 2019 at 3.00pm, (The John Meikle Room).

(The Meeting ended at 6.25 pm)