

# 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 District 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
<b>Net Total Spending on Services</b>	<b>19,263,288</b>	<b>20,908,641</b>
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
<b>SWTC Net Expenditure</b>	<b>21,051,280</b>	<b>18,311,609</b>
Parish Precepts	2,446,428	2,446,428*
<b>Total Expenditure Including Town/Parish Precepts</b>	<b>23,497,708</b>	<b>20,758,037</b>
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*
<b>Total Council Tax Raised by Council</b>	<b>9,293,342</b>	<b>9,490,437</b>
Divided by Council Tax Base	56,449.87	55,947.87
<b>Council Tax Band D – SWT Services</b>	<b>162.88</b>	<b>167.88</b>
<b>Council Tax Band D – Somerset Rivers Authority</b>	<b>1.75</b>	<b>1.75</b>
<b>Council Tax Band D – SWT including SRA</b>	<b>164.63</b>	<b>169.63</b>
<b>Cost per week per Band D equivalent</b>	<b>3.16</b>	<b>3.25</b>

\*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
<b>Net Expenditure Base Budget 2020/21</b>			<b>23,498</b>
<b>Service Cost Savings:</b>			

	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	
			<b>-4,154</b>
<b>Service Cost Pressures:</b>			
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	
			<b>3,976</b>
<b>Reserve Movements:</b>			
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	
			<b>-2,562</b>
<b>Net Expenditure Base Budget 2021/22</b>			<b>20,758</b>

	Directorate	£'000	£'000
<b>Total Funding 2020/21</b>			<b>-23,498</b>
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	
			<b>2,740</b>
<b>Total Funding 2021/22</b>			<b>-20,758</b>

## 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%
<b>Total General Revenue Grant</b>	<b>247,950</b>	<b>259,911</b>	<b>11,961</b>	<b>4.8%</b>
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		
<b>Total Additional Grant Funding</b>		<b>2,033,564</b>		

**(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

<b>Business Rates Retention Provisional Funding Estimates</b>	<b>2021/22 Provisional Estimates £</b>
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
<b>Net Retained Business Rates Funding</b>	<b>5,692,349</b>

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 £
<b>New Homes Bonus Grant</b>	<b>3,253,289</b>	<b>1,743,222</b>
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 settlements. 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
<b>Total</b>	<b>3,808</b>	<b>3,253</b>	<b>1,743</b>	<b>851</b>	<b>0</b>	<b>0</b>

## 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 x £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	<u>9,392,528</u>
Amount raised for Somerset Rivers Authority (see below)	97,909
Overall Total SWTC Council Tax Precept	<u>9,490,437</u>

- 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
<b>Balance brought forward 1 April 2020</b>		<b>4,522</b>
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
<b>Projected Balance after current commitments</b>		<b>9,065</b>
Projected Outturn - COVID (Month 6 forecast) (657-625)		32
Projected Outturn - Non-COVID (Month 6 forecast)		74
COVID Contingency 2020/21		-1,300
<b>Projected Balance 31 March 2021</b>		<b>7,871</b>
MTFP Planned use of reserves 2021/22		-1,410
MTFP Planned use of reserves 2022/23		-1,250
Projected uncommitted balance		5,211
<b>Current Recommended Minimum Balance (to be reviewed in January to consider updated financial and budget risks, likely to be increased)</b>		<b>2,400</b>

## 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
<b>Total</b>	<b>20,586</b>	<b>2,249</b>	<b>-6,167</b>	<b>-13,634</b>	<b>30,302</b>	<b>-10,176</b>	<b>20,126</b>

\*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
<b>Net Expenditure</b>	<b>20,051,280</b>	<b>18,311,609</b>	<b>18,196,411</b>	<b>19,603,111</b>	<b>20,499,501</b>	<b>21,395,126</b>
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
<b>Net Funding</b>	<b>-21,051,280</b>	<b>-18,311,609</b>	<b>-14,106,524</b>	<b>-13,618,499</b>	<b>-14,364,493</b>	<b>-14,745,765</b>
<b>Budget Gap</b>	<b>0</b>	<b>0</b>	<b>4,089,887</b>	<b>5,984,612</b>	<b>6,135,008</b>	<b>6,649,361</b>
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	1,879,630	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
<b>Sub-Total</b>	<b>101,173,893</b>	<b>70,669,744</b>	<b>89,084,718</b>	<b>24,280,739</b>	<b>28,229,936</b>	<b>1,000,000</b>	<b>213,265,138</b>

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

- 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