

Somerset West and Taunton Council

Corporate Scrutiny Committee – 26 January 2022

Draft General Fund Revenue Budget and Capital Estimates 2022/23

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

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1 Executive Summary / Purpose of the Report

- 1.1 The report sets out the draft budget estimates for 2022/23, Medium Term Financial Plan (MTFP) forecasts, and 2022/23 Capital Programme with the proposed sources of funding. Importantly this is a balanced budget with resources available to meet spending plans for the year.
- 1.2 The Provisional Finance Settlement for 2022/23 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 overall level of 'Core Spending Power' funding anticipated to be available to the Council in 2022/23, based on Settlement funding, is a cash standstill position. This represents a real-terms reduction given inflationary pressures and is well below the average increase of 6.9% in the core spending power for all-England local authorities. However, the Settlement is better than the estimates previously included in the MTFP. The final Finance Settlement is expected to be published in late January/early February. Despite the Government setting a 3-year Budget in August 2021 the Finance Settlement announced is for one-year only, with funding for later years probably to be announced next December.
- 1.3 The Executive is minded to propose a council tax increase of 2.95% (£5 on a Band D) in 2022/23, making the annual Band D charge £174.63. The increase in the tax rate provides an additional £283,247 income. An increase in the tax base – the total count of Band D Equivalent dwellings – also adds £117,760 to the total estimated council tax income for 2022/23, representing an overall increase of £401,007 compared to 2021/22.
- 1.4 The Executive is also minded to precept £29,458 in special expenses for the Unparished Area of Taunton. This results in an annual council tax rate at £1.93 for a Band D property in the Unparished Area of Taunton.
- 1.5 The budget for 2022/23 has been prepared in line with the Council's agreed Financial Strategy. Despite the Government's 3-Year Spending Review announced in August 2021, the local Government Finance Settlement has again been for one year only which means future funding remains uncertain. The effects and uncertainty of the COVID pandemic on both the local economy and public sector services is also ongoing.
- 1.6 In addition, the Secretary of State confirmed in July 2020 his preference to implement local government restructuring in Somerset leading to the creation of a single unitary council to replace the County Council and four District Councils in Somerset from April 2023. Somerset West and Taunton's financial strategy and proposed budget for 2022/23

recognises this will require significant resources to ensure services remain stable with minimal disruption, as well as additional resources to fund the implementation costs associated with this major restructuring programme.

- 1.7 Executive present a balanced draft budget for 2022/23, which includes use of temporary funding from reserves to soften the budget gap in the face of current service demands and funding uncertainty and to meet service priorities. Longer term the Medium-Term Financial Plan (MTFP) presents a deficit for 2023/24 onwards which would have been addressed to maintain ongoing financial sustainability were it not superseded by local government reorganisation. The forecasts for 2023/24 are set out as an indicative position for a continuation of Somerset West and Taunton, however these estimates will be superseded when district services are transferred to the new unitary Somerset Council in April 2023. There is currently a high degree of uncertainty on how the overall funding position will be affected by this structural change and the finance settlement for 2023/24. Equally the business case for the single unitary aims to deliver annual savings of £18.5m per year. Delivering financial sustainability and tackling the underlying deficit will be a key financial planning challenge for the unitary.
- 1.8 The total costs funded by reserves in 2022/23 is £6.027m. This provides funding for significant one-off costs totalling £3.431m, planned use of £2m from earmarked reserves to fund capital debt repayment (releasing 2022/23 resources for in-year service costs), and £0.596m as a general contribution towards funding ongoing service costs. The latter two allocations amount to £2.6m are not sustainable in the medium or long term but delivers the current financial strategy up to 2022/23. Additionally, the Budget includes £6.379m from earmarked reserves in respect of deferred S31 Grant which offsets the business rates Collection Fund Deficit because of COVID-related rate reliefs in both 2020/21 and 2021/22 and the Tax Income Guarantee (TIG) scheme funded by Government in 2020/21.

2 Recommendations

- 2.1 The Executive recommends Full Council approve the Revenue Budget, Council Tax Rate and Capital Programme for 2022/23 and Supplementary Budget in 2021/22 including:
 - 2.1.1 Draft Revenue Net Budget of £16.716m for 2022/23.
 - 2.1.2 The basic Somerset West and Taunton Band D Council Tax rate of £174.63 for 2022/23.
 - 2.1.3 General Fund 2022/23 Capital Programme additions totalling £1.158m and 2022/23 Capital Programme Revisions of -£0.181m for previously approved schemes for 2022/23, as set out in Table 18.
 - 2.1.4 A Supplementary Budget in 2021/22 of £1m for additional capital debt repayment funded from General Reserves.
- 2.2 The Executive recommends delegating authority to the S151 Officer to approve the CIL capital grants budgets to reflect in-year CIL capital receipts passed to town and parishes in line with the CIL policy.

3 Risk Assessment

- 3.1 The Council is required to set a balanced budget. The S151 Officer's detailed robustness statement will be included in the Executive and Full Council reports however the S151

Officer's view is that the draft budget in this report is robust and reserves are adequate.

- 3.2 The main financial risks to highlight for the Budget are summarised below.
- 3.3 **COVID-19 Impact:** The proposed budget has been prepared taking into account the effects of the COVID-19 pandemic. If further restrictions are imposed during 2022/23 this could have an impact on the Council's income and expenditure and budgets.
- 3.4 **Inflation:** Inflation rates are currently above the Government's target of 2%. Whilst the budget allows for inflationary pressures there is a risk that costs of construction works and purchased goods and services continue to rise and place further pressure on revenue and capital budgets. This is further exacerbated through supply chain challenges, particularly in the construction and specialist trade sectors. The risks are mitigated through procurement and spend controls, and general reserves if revenue costs cannot be managed within existing total budgets.
- 3.5 **Staff pay award:** The pay award for 2021/22 has not yet been agreed. The budget is based the Employer's final offer of 1.75% for 2021/22 and assumes a 2% pay award in 2022/23. For financial planning sensitivity analysis purposes, each 1% change in pay award equates to c£210k per year for the General Fund. This risk is mitigated through spending control and general reserves if costs cannot be managed within existing total budget.
- 3.6 **Parking income:** The estimates included within the proposed 2022/23 budget reflect the current information available from 2020/21 and 2021/22 usage levels following the reduction in car park use due to COVID-19, with an estimated increase in use due to easing of restrictions. There is a risk to this income budget if further restrictions are imposed, and people habits change. For financial planning sensitivity analysis purposes, it is estimated there is a margin for error in income estimates of +/-£400k. Adverse risk is mitigated through general reserves.
- 3.7 **Other fees and charges:** The proposed 2022/23 budget includes an estimated increase in income from the proposed increases to fees and charges due to be approved this month. If there is an impact on demand, then the income could vary by approximately £70k for a 1% reduction in fees (excluding car parking). Any adverse risk is mitigated through general reserves, where it cannot be managed within budget.
- 3.8 **Treasury investment income:** The borrowing and investment strategies employed during the acquisition of commercial properties have protected the Council's position whereby internal borrowing has been adopted in preference to obtaining now borrowing from the money markets. The two primary benefits have been to minimise net interest costs for the Council in the short-term and reducing the risk of Council potential exposure to "bail-in", that being the loss of capital investment because of the recovery processes employed in the event of a financial institution's failure. With the completion of the commercial investment portfolio, cashflows has reduced and the dominating level of cashflow investments will switch to borrowing. As a result, risks aligned with movements in investment returns will substantially reduce with lower investment balances. To quantify this, we forecast (at the time of writing) that the remaining investments held during 2022/23 would carry a combined risk of variation in capital value and interest yield of approximately +/- £132k for a 1% movement in interest rates. These investment sums, which total approximately £17million, will be held as a contingency measure for unexpected cashflow movements and emergencies. Further liquid sums will also be held to accommodate the cashflow movements throughout the year; these attract a very low yield, so present negligible levels of interest rate volatility. Meanwhile, the Council's

investment strategy and treasury operations do focus on preserving security, liquidity and yield as a basis for risk limitation.

- 3.9 **Property investment income:** The Council has successfully completed its planned investment in commercial property to deliver income to fund services. Budgets are based on reasonable estimates of expected income for the year, net of management costs. Whilst income volatility is expected to be low, no investment is risk-free. For financial planning sensitivity analysis purposes, 5% adverse volatility would impact income by c£360k. This risk is mitigated through the Investment Risk Reserve.
- 3.10 **Interest rates and capital refinancing:** The current treasury strategy is providing cost advantages with low cost of borrowing expected to remain in place for the short to medium term. However, it may be appropriate to refinancing some of the Council's capital borrowing requirements into longer-term facilities and interest rate rises could lead to increased borrowing costs. For financial planning sensitivity analysis purposes, it is estimated interest / financing costs could vary by up to £650k in 2022/23 for a 1% increase in interest rates applied to the current forecast of General Fund borrowing needs. This risk is mitigated by prudent budgeting, effective treasury management with budget impact mitigated through general reserves.
- 3.11 **Business Rates Funding:** Although Somerset West and Taunton are not within the Business Rates Pool in 2022/23 the Pool has agreed a gain share arrangement for next year. The amount will not be confirmed until year end, but the budget includes an income estimate of £250k. The risk is the actual receipt varies from budget based on outturn, with volatility estimated at -£150k to +£100k. Our core retained business rates funding volatility should be lower as we are at safety net in 2022/23, however funding through S31 grants is variable and the collection fund could still report a higher deficit in 2021/22 and/or 2022/23. Overall volatility for 2021/22 and 2022/23 is unpredictable but prudently estimated to be +/-£500k. Business rates funding risk is underwritten through the Business Rates Volatility Reserve.
- 3.12 **Local Government Reorganisation:** The proposed budget for 2022/23 includes £1.375m for Local Government Reorganisation, funded from General Reserves. As work progresses there could be further cost pressures which arise during the year.

4 Background Information

- 4.1 In October 2019 the Council agreed the Corporate Strategy which set 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 to progress the priorities identified in the Strategy.
- 4.2 The COVID-19 global pandemic continues to have a significant influence over the work of the Council and its resources. Most significantly in financial terms, there has been a major reduction in parking income with demand expected to remain well below pre-COVID levels through into next financial year and beyond.
- 4.3 The Financial Strategy was reviewed and agreed by the Executive on 21 July 2021.
- 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 is prepared within the context of priorities and objectives identified by Members which are embedded in the Council's current Corporate Strategy.
- 4.7 The Financial Strategy agreed in July 2021, and the draft budget for 2022/23, set out the aim of maintaining capacity to protect services and minimising disruption during the transition to a new unitary council for Somerset, which is due to be formally created on 1 April 2023, as well as continue to respond to the demands of COVID on our services and our communities. Local Government Restructuring (LGR) in Somerset will deliver a single unitary Council for Somerset with effect from 1 April 2023. All five councils are being asked to contribute to the implementation costs of LGR, and the draft budget also includes a modest provision for additional backfill capacity to support Somerset West and Taunton services and/or the LGR programme during 2022/23.
- 4.8 The Draft Budget included in this report sets out a proposed overall balanced budget position for 2022/23, with resources available to meet estimated costs. However, this does rely on use of reserves which is not sustainable in the medium/longer term, but also includes significant one-off costs too. The draft budget also includes additional expenditure to meet identified cost pressures and bids to support new spending, as well significant savings as resources have been reprioritised in line with operational plans.
- 4.9 The Provisional Finance Settlement was announced on 17 December 2021, which provides details of grant funding for one year only in 2022/23. The funding announced is an improvement of our previous estimates and assumptions, but still represents a real-terms reduction. This is exacerbated with the expected drop in business rates retention funding to the Safety Net following the planned decommissioning of Hinkley B nuclear power station commencing in 2022. Overall, the Council's funding is projected to fall sharply with ongoing uncertainty.
- 4.10 The Final Finance Settlement is expected late January / early February.

5 2022/23 Draft Budget Summary

- 5.1 The following tables provide a summary of the proposed balanced draft budget position for 2022/23. A further breakdown of the Total Spending on Services is shown in Appendix A.

Table 1 – General Fund Draft Budget Summary

| | Original Budget 2021/22 £ | Proposed Budget 2022/23 £ |
|------------------------|--|--|
| Senior Management Team | 554,210 | 593,600 |

| | Original Budget 2021/22 £ | Proposed Budget 2022/23 £ |
|--|-------------------------------------|-------------------------------------|
| Internal Operations Directorate | 9,324,155 | 9,720,720 |
| Housing & Communities Directorate | 3,028,290 | 3,233,680 |
| Development & Place Directorate | 2,230,860 | 3,744,460 |
| External Operations & Climate Change Directorate | 8,183,351 | 9,938,584 |
| Local Government Restructuring | 0 | 1,375,000 |
| Technical Capital Accounting Adjustments | -2,301,110 | -3,332,420 |
| Net Total Spending on Services | 21,019,756 | 25,273,624 |
| Investment Property Net Income | -3,407,100 | -7,239,960 |
| Somerset Rivers Authority Contribution | 97,909 | 99,136 |
| Revenue Contribution to Capital | 0 | 1,364,000 |
| Capital Debt Repayment Provision (MRP) | 699,530 | 2,982,730 |
| Interest Costs | 312,570 | 948,180 |
| Interest Income | -514,500 | -714,500 |
| Special Expenses | 29,093 | 29,458 |
| Transfers to / from (-) Earmarked Reserves | 1,665,036 | -4,651,636 |
| Transfer to / from (-) General Reserves | -1,159,562 | -1,375,000 |
| Somerset West and Taunton Net Expenditure | 18,742,732 | 16,716,032 |
| Parish Precepts | 2,508,359 | 2,508,359* |
| Total Expenditure Including Town/Parish Precepts | 21,251,091 | 19,224,391 |
| Retained Business Rates | -6,181,661 | -4,198,871 |
| Business Rates Pooling Gain | -250,000 | -250,000 |
| LCTS Grant | -224,736 | 0 |
| Lower Tier Services Grant | -995,611 | -719,290 |
| Revenue Support Grant | -6,479 | -7,297 |
| Rural Services Delivery Grant | -253,432 | -253,432 |
| New Homes Bonus | -1,743,222 | -1,566,792 |
| Surplus(-)/Deficit on Collection Fund – Council Tax | -7,785 | 76,379 |
| Surplus(-)/Deficit on Collection Fund – Business Rates | 12,556,229 | 6,504,780 |
| Business Rates Relief (COVID) S31 Grant (earmarked reserves) | -11,118,000 | -5,482,789 |
| Business Rates Losses 2020/21 TIG S31 Grant (earmarked reserves) | -998,505 | -896,590 |
| Demand on Collection Fund – Parishes and Special Expenses | -2,537,452 | -2,537,817* |
| Total Council Tax Raised by Council | 9,490,437 | 9,892,672 |
| Divided by Council Tax Base | 55,947.87 | 56,649.32 |
| Council Tax Band D – SWT Services | 167.88 | 172.88 |
| Council Tax Band D – Somerset Rivers Authority | 1.75 | 1.75 |
| Council Tax Band D – SWT including SRA | 169.63 | 174.63 |
| Cost per week per Band D equivalent | 3.25 | 3.35 |

*The final total for parish precepts in 2022/23 is not yet confirmed pending receipt of all demands. This will be updated for the Full Council report.

5.2 The tables below show the movement in spending and funding for each Directorate between 2021/22 and 2022/23.

Senior Management Team:

5.3 This budget line holds the costs of the Chief Executive and four directors, a contingency

to support strategic priorities in-year.

- 5.4 The Senior Management Team budget reflects the uplift as the salary award as offered by the employers. It reflects the existing structure and so budgets for the Director of External Operations and Climate Change role, that vacancy being the subject of ongoing discussions to ensure senior leadership capacity.

Table 2 – Summary of Senior Management Team Budget Changes in 2022/23

| | £'000 | £'000 |
|--|-------|------------|
| Net Expenditure Base Budget 2021/22 | | 554 |
| | | |
| Service Cost Savings: | | 0 |
| Service Cost Pressures: | | |
| Staffing Increase | 39 | |
| | | 39 |
| Net Expenditure Base Budget 2022/23 | | 593 |

Internal Operations:

- 5.5 The Internal Operations Directorate has responsibility to provide support and advice across all Council functions through its enabling services of ICT, HR, Finance, Business Intelligence, Democratic and Elections. It also oversees services that directly support the local community and residents contacting the Council, for example in Customer Services and Revenues and Benefits. In 2019/20, the Directorate became responsible for assessing and prioritising initiatives in business transformation to deliver efficiency in service provision across the Council.
- 5.6 Budget setting for this year has been influenced by a realignment of activities in line with Local Government Reorganisation activity which has produced both budget reduction and increases. For example, savings in ICT non pay budgets have been achieved due to forward planned projects being deprioritised however staffing costs have increased to support not only unitary needs but also critical projects such as the Health and Safety Improvement Plan.

Table 3 – Summary of Internal Operations Budget Changes in 2022/23

| | £'000 | £'000 |
|---|-------|--------------|
| Net Expenditure Base Budget 2021/22 | | 9,324 |
| Service Cost Savings: | | |
| Remove 2021/22 One-off review of Council Tax Support Scheme | -19 | |
| Other savings with the Benefits Service | -29 | |
| Reduction in Members travel/training and meeting costs | -13 | |
| Reduction in ICT non pay budgets | -185 | |
| Family Annexe Grant | -39 | |
| Service Improvement and Efficiency Savings | -200 | |
| Fees and Charges Income – Court Costs and Deane Helpline | -86 | |
| Communications/Economic Development Budget moved to Development and Place | -141 | |
| Other Savings | -7 | |
| | | -719 |
| Service Cost Pressures: | | |
| Increase in Staffing Costs | 625 | |

| | £'000 | £'000 |
|--|-------|--------------|
| Health and Safety | 28 | |
| Increase in postage costs and other business support | 58 | |
| Increase in Members Allowances | 10 | |
| Contract Increases | 41 | |
| Increase in Pension Deficit contribution | 66 | |
| Increase in Depreciation Charges | 204 | |
| Other Costs | 84 | |
| | | 1,116 |
| Net Expenditure Base Budget 2022/23 | | 9,721 |

Housing and Communities:

- 5.7 The Housing and Communities Directorate provides homelessness and rough sleeping, community resilience, housing strategy and enabling services funded by the General Fund, alongside some corporate asset related services such as compliance. These General Fund services sit alongside the larger Housing Landlord functions funded by the Housing Revenue Account.
- 5.8 Housing and Communities savings and budget changes are derived from an over provision of budget for Shopmobility, this will not impact the level of service or funding to the provider (Compass Disability), and by three posts transferring out of the Directorate predominantly working on GF assets so have moved to the new GF Asset team from Housing Property.

Staffing cost pressures and adjustments result in a £100k net increase, including inflation of £94k and adjustment to GF/HRA split of £89k.

The increase in homelessness cost reflects the required provision of new accommodation and associated revenue costs to replace Canonsgrove, however this will be funded from transfer from earmarked reserve.

The cost pressure on the CCTV budget is largely a result of a one-off budget reduction in 2021/22 (affordable as our maintenance budget had accumulated beyond its requirement) and the budget being reinstated in 2022/23 (albeit at a reduced level, there is still a net increase).

The increase within the Housing Enabling Budget is to correct a previous budget error.

Table 4 – Summary of Housing and Communities Budget Changes in 2022/23

| | £'000 | £'000 |
|--|-------|--------------|
| Net Expenditure Base Budget 2021/22 | | 3,028 |
| | | |
| Service Cost Savings: | | |
| Shopmobility Contribution no longer required | -32 | |
| Assets Staff transferred to External Operations and Climate Change | -75 | |
| | | -107 |
| Service Cost Pressures: | | |
| Increase in Staffing Costs | 118 | |
| Increase in Homelessness (funded by transfer from earmarked reserve) | 113 | |
| Increase in CCTV contribution | 56 | |

| | £'000 | £'000 |
|--|-------|--------------|
| Housing Enabling | 20 | |
| Other Costs | 6 | |
| | | 313 |
| Net Expenditure Base Budget 2022/23 | | 3,234 |

Development and Place:

- 5.9 The Development and Place Directorate delivers a range of services and projects including strategy and policy development, planning services, economic development, town centre regeneration, heritage projects and major capital projects for regeneration. The Directorate also manages the commercial investment activity though the budget for this is included below the net cost of services.
- 5.10 Movement in the Development and Place budget include increases in staffing costs as are seen throughout the organisation.

Savings have been established through effective budget management and removal of budgets where they are no longer required helping to offset some of the increases.

New cost pressures are recorded to reflect the reduction of planning income and increased costs to support services the evidence base for a new Local plan, an innovation conference in 2022 as supported by Members, and our work on phosphates. These are staff costs that cannot be recovered through S106 agreements with developers and therefore cannot be absorbed within the phosphates interim mitigation funding provided by Council in October 2021.

The £141k increase for Communications and Economic Development is offset by the equivalent saving within Internal Operations and recognises the movement of this team across directorates. This is not therefore a new or increased cost overall. Similarly, the £69k change for Planning obligations is offset by the saving in the External Operations and Climate Change budget.

The Environmental and Leisure Improvements Fund will enable us to deliver on a range of longstanding but unbudgeted issues. This is a one off fund that follows on from the previous successes of the Spring Clean.

Table 5 – Summary of Development and Place Budget Changes in 2022/23

| | £'000 | £'000 |
|--|-------|--------------|
| Net Expenditure Base Budget 2021/22 | | 2,231 |
| | | |
| Service Cost Savings: | | |
| Reduction in Heritage feasibility and one-off abortive costs | -57 | |
| Other savings | -7 | |
| | | -64 |
| Service Cost Pressures: | | |
| Increase in Staffing Costs | 646 | |
| Local Plan Costs | 50 | |
| Innovation Conference | 50 | |
| Phosphates – additional cost for planning specialist role | 50 | |
| Planning – reduction in income | 28 | |

| | £'000 | £'000 |
|---|-------|--------------|
| Communications/Economic Development Budget moved from Internal Operations | 141 | |
| Increase in Depreciation Charges | 235 | |
| Planning Obligations budget moved from External Operations and Climate Change | 69 | |
| Environmental and Leisure Improvements Fund (one-off) | 300 | |
| Other Costs | 8 | |
| | | 1,577 |
| Net Expenditure Base Budget 2022/23 | | 3,744 |

External Operations and Climate Change:

- 5.11 The External Operations and Climate Change Directorate is a forward-facing directorate that provides or clients many the services delivered by Somerset West and Taunton Council. It also leads on the Council's climate and ecological emergency declarations.
- 5.12 The Net Expenditure invested in External Operations and Climate Change is increased from £8.2m to £9.9m in 2022/23. Against a backdrop of year-on-year efficiency savings and service improvement the impact of lost car parking revenue masks the true picture. That picture is one where concepts have been turned into delivery (e.g., CNCR Plan), medium to long term planning rigour adopted (e.g., 30-year General Fund maintenance programme) and costs reduced (e.g., Fleet contract).

The budget reflects an estimated reduction of almost £1.5m in parking income compared to historic trends pre-COVID, aligning the 2022/23 budget with current usage.

The directorate budget includes a further £500k allocation in 2022/23 to support the CNCR Plan and related climate change initiatives. This means a total of £1.5m has been allocated to support the delivery of this priority over a 3-year period 2020/21 to 2022/23.

Table 6 – Summary of External Operations and Climate Change Budget Changes in 2022/23

| | £'000 | £'000 |
|---|-------|---------------|
| Net Expenditure Base Budget 2021/22 | | 8,183 |
| | | |
| Service Cost Savings: | | |
| 2021/22 One-off Tree Planting | -100 | |
| 2021/22 One-off Community Enhancement Fund | -100 | |
| 2021/22 One-off Car Park Strategy | -53 | |
| Bereavement Services – increase in rental income | -18 | |
| Increase in Asset rents (non-investment) | -278 | |
| Reduction in Fleet Costs | -180 | |
| Reduction in Asset Management budget to fund contribution to capital for Closed Church Yards and Brewhouse Roof | -100 | |
| Reduction in Non-Domestic Rates for Council Properties | -109 | |
| Fees and Charges Income | -95 | |
| Planning Obligations budget moved to Development and Place | -69 | |
| Other Savings | -138 | |
| | | -1,240 |
| Service Cost Pressures: | | |

| | £'000 | £'000 |
|--|-------|--------------|
| Increase in Staffing Costs | 257 | |
| Car Parking Income – reduction of approximately 25% on historic levels | 1,476 | |
| Litter Enforcement 12-Month trial | 60 | |
| Somerset Waste Partnership contract increase (net of Recycle More Savings of £125k) | 149 | |
| Somerset Waste Partnership - contractors COVID costs to be funded from COVID funding | 172 | |
| Town Centre Power Wash - one-off | 25 | |
| Town Centres Spring Clean - one off | 30 | |
| Contract Increases | 43 | |
| Decrease in Licensing Income | 90 | |
| Increase in CCTV contribution | 16 | |
| Assets Staff transferred from Housing | 75 | |
| Increase in Depreciation Charges | 592 | |
| Other Costs | 10 | |
| | | 2,995 |
| Net Expenditure Base Budget 2022/23 | | 9,938 |

Local Government Reorganisation:

- 5.13 The Councils in Somerset have agreed to share the implementation costs for the creation of the Somerset unitary authority, estimated at £16.5m in the One Somerset Business Case. As agreed by the LGR Joint Committee, the District Councils will contribute 20%, which for Somerset West and Taunton's share equates to c£0.9m and it is proposed to budget for £1m including a contingency sum.
- 5.14 In addition, it is anticipated there will be major demands on Somerset West and Taunton resources that will need additional capacity and backfill in key areas (e.g., legal / governance, finance and many forward-facing services) therefore it is proposed to include budget provision of £0.375m to meet this need should it arise. The aim is to keep costs to a minimum with most transitional work delivered within existing management and staff resources through prioritisation of activity.
- 5.15 This total of £1.375m additional costs are one-off and are proposed to be funded by a one-off allocation from General Reserves (see section 13 below). A proportion of the implementation costs are expected to be incurred in 2023/24 and it is assumed a balance of the £1m will therefore be carried forward at the end of 2022/23.

Table 7- Summary of Local Government Reorganisation Budget Changes in 2022/23

| | £'000 | £'000 |
|---|-------|--------------|
| Net Expenditure Base Budget 2021/22 | | 0 |
| Cost Pressures: | | |
| Somerset West and Taunton share of implementation budget | 1,000 | |
| Somerset West and Taunton provision for additional transition/backfill capacity | 375 | |
| | | 1,375 |
| Net Expenditure Base Budget 2022/23 | | 1,375 |

Other Costs, Reserve Transfers and Funding:

- 5.16 Other Costs, Reserve Transfers and Funding includes Commercial Investment income, Debt Management Costs, Technical Capital Accounting Adjustments, the precept costs for Somerset Rivers Authority, Special Expenses and the Parishes and the Funding streams.
- 5.17 Section 6-11 below explain the major changes to government funding, business rates, new homes bonus, council tax and the Somerset Rivers Authority and special expenses precepts.

Details on the use of reserves are within Section 13 and 14 below

The capital programme below in section 17 proposes to use revenue resources to fund the 2022/23 bids and the table below reflects this cost.

Table 8 – Summary of Other Costs and Reserves Budget Changes in 2022/23

| | £'000 | £'000 |
|--|-------------|---------------|
| Net Expenditure Base Budget 2021/22 | | -2,069 |
| Cost Savings: | | |
| Increase in Interest Income | -200 | |
| Commercial Investment - Reduction in Management Fee | -130 | |
| Commercial Investment – net increase in income | -3,750 | |
| Increase in Depreciation Adjustment | -1,031 | |
| | | -5,111 |
| Cost Pressures: | | |
| Increase in Interest Costs | 636 | |
| Revenue contribution to fund capital programme | 1,364 | |
| Increase in Minimum Revenue Provision (MRP) for debt repayment | 2,283 | |
| Commercial Investment – reduction in legacy properties rental income and inflation costs | 47 | |
| Change in Parish Precepts | TBC | |
| | | 4,330 |
| Reserve Movements: | | |
| Reduction in contribution from General Reserves | 1,160 | |
| One-off Contribution from General Reserves to fund LGR costs | -1,375 | |
| Contribution from Investment Financing Earmarked Reserve in 22/23 | -2,000 | |
| Change in Contribution from Business Rates Reserve | -2,385 | |
| Contribution from reserves towards Local Plan | -94 | |
| Contribution from reserves COVID grant for SWP COVID costs | -172 | |
| Contribution from reserves towards Leisure contract deferred savings | -135 | |
| Contribution from reserves towards Homelessness | -113 | |
| Contribution from reserves towards funding of capital schemes | -1,087 | |
| Contribution from reserves towards one-off staffing costs | -330 | |
| | | -6,531 |
| Net Expenditure Base Budget 2022/23 | | -9,381 |

Table 9 – Summary of Funding Changes in 2022/23

| | £'000 | £'000 |
|------------------------------|-------|----------------|
| Total Funding 2021/22 | | -21,251 |

| | £'000 | £'000 |
|--|------------|----------------|
| Decrease in New Homes Bonus Grant | 176 | |
| Decrease in Lower Tier Services Grant | 546 | |
| Local Council Tax Support Grant one-off 2021/22 only | 225 | |
| Services Grant | -270 | |
| Increase in Revenue Support Grant | -1 | |
| Increase in Council Tax Deficit from Prior Years | 84 | |
| Increase in funding from Council Tax for Somerset Rivers Authority | -1 | |
| Net increased funding from Council Tax for Somerset West and Taunton | -401 | |
| Reduction in Business Rates Funding | -1,983 | |
| Reduction in Business Rates Prior Year Deficit | -6,052 | |
| Reduction in use of Business Rates Holiday S31 Grant | 5,636 | |
| Reduction in use of Business Rates Losses S31 Grant | 102 | |
| Change in Parish Precepts | TBC | |
| | | 2,027 |
| Total Funding 2022/23 | | -19,224 |

- 5.18 The following table provides a high level summary of the contribution to the budget made by the Council's commercial property investment strategy. As the table shows the investment now provides a significant source of income. This has added to, and therefore diversified, the Council's income streams and helps to mitigate the reductions in other funding and enables ongoing provision of service priorities. The table includes the budgeted income from £99m invested since August 2020 plus that from legacy assets acquired before the current investment strategy commenced. There is a separate report providing full details of the strategy and investment performance.

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Rent Income from 2021 Investment Fund | -6,930 | -6,930 |
| Management Costs | 150 | 150 |
| Legacy Assets Net Income | -460 | -460 |
| Investment Income | -7,240 | -7,240 |
| Less: Notional Interest Charge [included within Net Financing Costs in MTFP summary Table 16 below] | 750 | 1,500 |
| Less: Minimum Revenue Provision for Capital Debt Repayment [included within Net Financing Costs in MTFP summary Table 16 below] | 2,000 | 2,000 |
| Investment Income Net of Financing Costs | -4,490 | -3,740 |
| Contribution to Investment Reserves [included within Earmarked Reserves in MTFP summary Table 16 below] | 0 | 380 |
| Net Contribution to Revenue Budget | -4,490 | -3,360 |

- 5.19 The table shows that the Council's property investment activity, including assets held for many years plus the increase in acquisitions since 2020, is providing total estimated income of some £7.2m. This income provides resources to cover the capital financing costs – debt repayment plus interest on borrowing – and results in an estimated net contribution to the revenue budget to fund service costs totalling £4.5m in 2022/23. This is estimated to reduce to £3.4m in 2023/24 with prudent budget allowance included in the MTFP for potential higher interest costs in future and prudent reserve provisions to

manage ongoing risks.

6 Government Grant Funding

- 6.1 Following the Provisional Settlement in December 2021 the general grant funding is slightly higher than previous MTFP projections. The Revenue Support Grant (RSG) in 2022/23 is £7,297 and Rural Services Delivery Grant is £253,432, which together is £818 higher than the 2021/22 settlement level. Government has confirmed that 'Negative' Revenue Support Grant will again be offset in 2022/23.
- 6.2 Through the Provisional Settlement the Government has sought to ensure that no local authority sees a cash reduction in their estimated core funding settlement in 2022/23, reflecting the need for funding stability for local services. This was unexpected and provides welcome one-off additional unringfenced revenue grant, although as shown in the table below the total amount of additional general grant support received has reduced by over £1.3m compared to 2021/22.

Table 10 – General Government Grant

| | 2021/22 £ | 2022/23 £ | Change £ | Change % |
|---------------------------------------|------------------|----------------|-------------------|---------------|
| Core Funding: | | | | |
| Revenue Support Grant | 6,479 | 7,297 | 818 | 12.63 |
| Rural Services Delivery Grant | 253,432 | 253,432 | 0 | 0 |
| Total General Revenue Grant | 259,911 | 260,729 | 818 | 0.00 |
| Additional one-off support: | | | | |
| a) Lower Tier Services Grant | 995,611 | 449,688 | -545,923 | -5.48 |
| b) Local Council Tax Support Grant | 224,736 | 0 | -224,736 | -100.00 |
| c) COVID Pressures Grant | 813,217 | 0 | -813,217 | -100.00 |
| d) Services Grant | 0 | 269,603 | 269,603 | 100.00 |
| Total Additional Grant Funding | 2,033,564 | 719,291 | -1,314,273 | -64.63 |

- (a) **Lower Tier Services Grant** – the Government has confirmed a further one-off grant of £449,688 to ensure there is no cash reduction in 'core spending power' compared to 2021/22.
- (b) **Local Council Tax Support Grant** – this was a one-off grant for 2021/22 only and there is no allocation for 2022/23 within the Provisional Settlement.
- (c) **COVID Grant** – the COVID grant was a one-off grant for 2021/22 only and therefore there is no allocation for 2022/23.
- (d) **Services Grant** – the Government have confirmed a further one-off grant of £269,603 to ensure there is no cash reduction in 'core spending power' compared to 2021/22.

- 6.3 All of the above funding is unringfenced revenue grant funding which goes towards general funding of services in the Budget.

7 Business Rates Retention

- 7.1 Local authorities receive a significant proportion of their funding through the Business Rates Retention (BRR) system. For 2022/23 Somerset West and Taunton is not within the Somerset Business Rates Pool due to the reduction in business rates funding expected and adverse impact on the balance of risk and reward to pooling this brings. Up until 2021/22 the pooling arrangement has been beneficial for Somerset West and Taunton and the other pool member authorities.

- 7.2 The Provisional Finance Settlement in December 2021 confirmed the baseline, safety net and tariff for 2022/23. In order to support businesses, there will be no inflationary increase in business rates bills, with Somerset West and Taunton 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 Somerset West and Taunton including growth above the baseline.
- 7.3 A summary of the 2022/23 Retained Funding current estimate is shown in the table below. This will be updated following completion of the NNDR1 at the end of January 2022.

Table 11 – Business Rates Retention Provisional Estimates

| Business Rates Retention Provisional Funding Estimates | 2022/23 Provisional Estimates £ |
|---|--|
| Share of Business Rates Yield | 19,406,200 |
| Rates yield from renewable energy | 169,410 |
| Tariff to Government | -18,763,399 |
| Levy Payment | 0 |
| Safety Net Income | 778,780 |
| S31 Grant funding for Reliefs | 2,607,880 |
| Net Retained Business Rates Funding | 4,198,871 |

- 7.4 Although Somerset West and Taunton is exiting the Somerset Business Rates Pool at the end of 2021/22, the continuing Pool members have agreed to provide a contribution to Somerset West and Taunton from 2022/23 pooling gains in recognition of the reduction in pooling risk because of Somerset West and Taunton exiting. The proposed budget includes an estimated pooling gain contribution of £250k.
- 7.5 The Council's funding through business rates is expected to reduce to the Safety Net due to the planned decommissioning by EDF of Hinkley B power station commencing by July 2022. This has a major impact on the level of retained business rates funding available to the Council with BRR funding estimates falling by c£1.9m per year as a result. 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.
- 7.6 Due to the continuing support to businesses the Business Rates budget in 2022/23 still includes a spike in collection fund losses due to COVID, 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 for April-July and 66% for August -March in 2021/22.

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-ringfenced which means that the Council is free to decide

how to use it. The Council intends to fully use the NHB allocation for 2022/23 towards the revenue budget for services.

- 8.2 The confirmed NHB Grant for 2022/23 is £1,566,792 which is £176,430 or 10.12% less than the comparable amount for 2021/22.

Table 12 – New Homes Bonus 2022/23

| | 2020/21 £ | 2021/22 £ | 2022/23 £ |
|--------------------------------|------------------|------------------|------------------|
| New Homes Bonus Grant | 3,253,289 | 1,743,222 | 1,566,792 |
| Amount for core revenue budget | 400,000 | 1,743,222 | 1,566,792 |
| Transfer to growth reserve | 2,853,289 | 0 | 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. This is a surprise given the strong indications in the Government’s 2021 consultation of a reduction in the level of ‘reward’ for growth. Each year’s growth used to attract grant for 4 years but the annual growth ‘increment’ in 2020/21, 2021/22 and 2022/23 is each for one year only with no legacy payments. Table 13 below shows the current forecast within the current MTFP. The Government undertook a consultation in 2021 for the NHB system but they have not yet issued a formal response and the 2022/23 provisional settlement therefore continues the grant method for another year. The MTFP assumes no NHB grant funding after 2022/23, in the absence of reliable information upon which to base an estimate.

Table 13 – 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 | | | | |
| 2021/22 | | | 34 | | | |
| 2022/23 | | | | 716 | | |
| Total | 3,808 | 3,253 | 1,743 | 1,567 | 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 2022/23 without the need for a referendum.
- 9.2 The Executive recommends the option to increase annual Band D Council Tax to £172.88 for Somerset West and Taunton services, which equates to the £5 annual increase on the current Somerset West and Taunton rate of £167.88, and this is reflected in the proposed budget for 2022/23. If approved by Council, the Somerset West and Taunton total Band D tax rate including £1.75 for the Somerset Rivers Authority will be £174.63 per year or £3.35 per week. This represents an increase of 2.95% - 10 pence per week for a Band D taxpayer.
- 9.3 The approved Tax Base for 2022/23 is 56,649.32 Band D Equivalentents, an increase of 701.45 (1.25%) compared to the 2021/22 tax base. The main reasons for the tax base

increasing are housing growth, a fall in demand for council tax support discount, and a small reduction in the non-collection rate. The budget estimates for Council Tax income for Somerset West and Taunton is therefore £56,649.32 x £172.88 = £9,793,535. This represents a total increase of £401,007 compared to the previous year. The budget estimates are calculated as follows.

| | |
|---|------------------|
| | £ |
| Council Tax Income Budget 2021/22 | 9,392,528 |
| Increase due to change in Tax Base (Band D equivalents) | 117,760 |
| Increase due to proposed increase in Tax Rate | 283,247 |
| Council Tax Income Estimate 2022/23 | <u>9,793,535</u> |
| Amount raised for Somerset Rivers Authority (see below) | 99,136 |
| Overall Total Somerset West and Taunton Council Tax Precept | <u>9,892,671</u> |

- 9.4 The Somerset West and Taunton 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 24 February 2022.

10 Somerset Rivers Authority

- 10.1 The Somerset Rivers Authority (SRA) remains unable to raise its own precept and it is therefore proposed to follow the same arrangements as previous years. For 2022/23 it is proposed that the Band D amount will remain at £1.75 and this will raise £99,136 in funding for the SRA from the Council in 2022/23.

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 has 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 £29,458 in special expenses for the Unparished Area of Taunton in 2022/23 (2021/22 = £29,093). This results in an annual council tax rate at £1.93 for a Band D for the Unparished Area of Taunton. (Note: For referendum purposes we must 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 (except for Car Parks) to the S151 Officer. Therefore, the increase in all other fees and charges is due to be approved by the S151 Officer in January 2021, in consultation with SMT and Portfolio Holders. 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.

13 General Reserves

- 13.1 The current reserves position is shown below. The provisional forecast of the reserves position at the start of the next financial year at £5.793m.

- 13.2 Following the improved funding position in the Settlement for 2022/23, it is proposed to use £1m no longer required from reserves to make an additional capital debt repayment in the current financial year 2021/22. This prudently reduces the overall General Fund borrowing requirement and reduces future debt financing costs (see 16.5 below).
- 13.3 The draft Budget also plans to use £1.375m of reserves to fund one-off costs in 2022/23 reducing the projected General Reserves balance to £3.418m. 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 14 – General Reserves Balance

| | Approval | £k |
|---|-------------------------|--------------|
| Balance brought forward 1 April 2021 | | 7,914 |
| 2021/22 Original Budget Transfer to Reserve | Council – 18/02/21 | -1,160 |
| Supplementary Budget - Local Poll | Council – 04/05/21 | -86 |
| Supplementary Budget - Phosphates | Executive – 21/07/21 | -200 |
| Supplementary Budget - Health & Safety | Executive – 21/07/21 | -126 |
| Supplementary Budget - Parks & Open Spaces | Executive – 21/07/21 | -100 |
| Supplementary Budget - Asset Management | Executive – 21/07/21 | -150 |
| Supplementary Budget - Asset Management Compliance | Executive – 21/07/21 | -100 |
| Supplementary Budget - Revenues Service Capacity | Executive – 21/07/21 | -130 |
| Supplementary Budget - Business Intelligence Capacity | SMT – 23/06/21 | -50 |
| Supplementary Budget - Project Management Resources | Director/S151– 15/07/21 | -19 |
| Projected Balance after current commitments | | 5,793 |
| Recommended Supplement Budget – Debt Repayment | | -1,000 |
| Projected Balance 31 March 2022 | | 4,793 |
| MTFP Planned use of reserves for LGR | | -1,375 |
| Projected uncommitted balance | | 3,418 |
| Current Recommended Minimum Balance (to be reviewed in January to consider current financial and budget risks) | | 2,400 |

- 13.4 Although reserves are currently projected to be above the minimum reserves balance, Members are advised that significant financial risks remain not least the transition to the unitary council and the need to ongoing financial sustainability measures in future. It is strongly recommended by the S151 Officer that reserves are maintained above the recommended minimum to provide flexibility and resilience in this context.

14 Earmarked Reserves

- 14.1 The budgeted transfers from earmarked reserves in 2022/23 totals £4.652m towards net expenditure, funding £2.056m in one-off costs and £2.596m in ongoing budgeted costs. In addition, due to accounting timing of the Collection Fund Deficit from prior years, the budget also includes £6.379m of earmarked Business Rates Deferred S31 Grants.
- 14.2 The following table details the use of earmarked reserves for 2022/23.

Table 15 – Proposed General Fund Earmarked Reserves Transfers 2022/23

| | 2022/23 Budgeted Transfers £'000 | |
|---|---|---------------|
| Funding One-Off Costs: | | |
| BRR – Offsetting Collection Fund Deficit | -125 | |
| Funding the Capital Programme | -1,087 | |
| Funding one-off service costs | -844 | |
| One-off costs funded from reserves | | -2,056 |
| Funding ongoing costs: | | |
| Investment financing | -2,000 | |
| BRR – Supporting the budget | -596 | |
| Ongoing costs funded from reserves | | -2,596 |
| Net Expenditure Funded by Earmarked Reserves | | -4,652 |
| | | |
| BRR Deferred S31 Grant to fund Collection Fund Deficit | | -6,379 |

14.3 A table of earmarked reserves projected movements and balances over £500k is included within Appendix B.

15 Medium Term Financial Plan (MTFP) Summary

15.1 The current MTFP forecast is summarised below and is set out covering a 3-year period up to 2023/24.

15.2 The Budget for 2022/23 will be the final budget for Somerset West and Taunton with its services and functions transferring to the new unitary council for Somerset on 1 April 2023. Forecasting for 2023/24 is indicative only in this context, based on Somerset West and Taunton continuing in its current form. It is not clear what the impact of moving to the unitary will mean for funding, and we do not yet have a provisional finance settlement for 2023/24 on which to base estimates. It is therefore prudently assumed one-off allocations in the 2022/23 finance settlement will not continue into the following year. Costs and income will also be rolled into unitary council budgets and be updated according to the design and priorities of the new council including any savings that the unitary may deliver on its first year. However, it is important to recognise that there is a significant deficit forecast for 2023/24 on current projections despite these uncertainties, placing an immediate challenge for the unitary council's financial strategy and planning.

Table 16 - Draft MTFP Summary 2020/21 to 2023/24

| | 2021/22 Original Feb 2021 £ | 2021/22 Revised July 2021 £ | Proposed 2022/23 £ | Indicative 2023/24 £ |
|--------------------------------|--------------------------------------|--------------------------------------|--------------------------|----------------------------|
| Net Services Costs | 21,019,756 | 21,019,755 | 25,273,624 | 22,534,531 |
| Investment Property Net Income | -3,407,100 | -5,562,100 | -7,239,960 | -7,239,960 |
| Net Financing Costs | 497,600 | 1,902,600 | 4,580,410 | 4,376,020 |
| SRA Contribution | 97,909 | 97,909 | 99,136 | 100,128 |
| Special Expenses | 29,093 | 29,093 | 29,458 | 29,742 |
| Earmarked Reserves | 1,665,036 | 2,415,307 | -4,651,636 | -54,750 |
| General Reserves | -1,159,562 | -1,159,562 | -1,375,000 | 0 |
| Net Expenditure | 18,742,732 | 18,742,732 | 16,716,032 | 19,745,721 |

| | 2021/22 Original Feb 2021 £ | 2021/22 Revised July 2021 £ | Proposed 2022/23 £ | Indicative 2023/24 £ |
|---|--------------------------------------|--------------------------------------|--------------------------|----------------------------|
| Retained Business Rates | -6,181,661 | -6,181,661 | -4,198,871 | -4,281,362 |
| Business Rates prior year surplus/deficit | 12,556,229 | 12,556,229 | 6,504,780 | 1,331,340 |
| Business Rates Holiday S31 Grant | -11,118,000 | -11,118,000 | -5,482,789 | 0 |
| Business Rates Losses S31 Grant | -998,505 | -998,505 | -896,590 | -896,590 |
| Estimated Pooling Gain | -250,000 | -250,000 | -250,000 | 0 |
| LCTS Grant | -224,736 | -224,736 | 0 | 0 |
| Lower Tier Services Grant | -995,611 | -995,611 | -449,688 | 0 |
| Services Grant | 0 | 0 | -269,603 | |
| Revenue Support Grant | -6,479 | -6,479 | -7,297 | -7,297 |
| Rural Services Delivery Grant | -253,432 | -253,432 | -253,432 | -253,432 |
| New Homes Bonus | -1,743,222 | -1,743,222 | -1,566,792 | 0 |
| Council Tax | -9,392,528 | -9,392,528 | -9,793,535 | -10,090,582 |
| Council Tax–SRA | -97,909 | -97,909 | -99,136 | -100,128 |
| Council Tax–Special Expenses | -29,093 | -29,093 | -29,458 | -29,742 |
| Council Tax prior year surplus/deficit | -7,785 | -7,785 | 76,379 | 76,379 |
| Net Funding | -18,742,732 | -18,742,732 | -16,716,032 | -14,251,424 |
| Budget Gap | 0 | 0 | 0 | 5,494,297 |
| Gap – Change on Previous Year | 0 | 0 | 0 | 5,494,297 |

Note: The 2021/22 figures in this table show both the Budget approved in February 2021 and the adjusted Budget to reflect the changes approved in the Financial Strategy by the Executive in July 2021.

16 2021/22 General Fund Capital Programme and Funding

16.1 The current General Fund Capital Programme in 2021/22 includes approved projects totalling £78.5m summarised in the table below with the full list of projects shown in Appendix C. Additionally, Council has approved further capital investment in future years including regeneration and properties for yield.

Table 17a - Summary of Existing Capital Approvals

| Capital Expenditure | Total Capital Budget £000's | Forecast 2021/22 £000's | Forecast 2022/23 £000's | Forecast 2023/24 £000's | Forecast 2024/25 £000's | Total Forecast Expenditure £000's |
|-------------------------|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--|
| Development and Place | 145,263 | 68,261 | 31,309 | 37,755 | 7,938 | 145,263 |
| External Operations | 9,454 | 5,614 | 3,841 | 0 | 0 | 9,454 |
| Housing & Communities | 5,762 | 1,853 | 1,761 | 1,089 | 1,059 | 5,762 |
| Internal Operations | 2,110 | 1,680 | 430 | 0 | 0 | 2,110 |
| Hinkley Capital Schemes | 857 | 857 | 0 | 0 | 0 | 857 |
| S106 Capital Schemes | 702 | 203 | 499 | 0 | 0 | 702 |
| Total | 164,148 | 78,468 | 37,839 | 38,844 | 8,997 | 164,148 |

Table 17b Financing of Existing Capital Approvals

| Capital Expenditure | Capital Grants CIL £000's | Capital Grants Other £000's | Section 106 Agree- ments £000's | Capital Receipts £000's | General Fund RCCO £000's | Capital Funding Reserve £000's | Borrowing £000's | Total Capital Financing £000's |
|--------------------------|------------------------------------|--------------------------------------|---|-------------------------------|-----------------------------------|---|---------------------|---|
| Development and Place | 13,166 | 14,157 | 632 | 745 | 0 | 0 | 116,563 | 145,263 |

| Capital Expenditure | Capital Grants CIL £000's | Capital Grants Other £000's | Section 106 Agreements £000's | Capital Receipts £000's | General Fund RCCO £000's | Capital Funding Reserve £000's | Borrowing £000's | Total Capital Financing £000's |
|-------------------------|---------------------------|-----------------------------|-------------------------------|-------------------------|--------------------------|--------------------------------|------------------|--------------------------------|
| External Operations | 0 | 5,043 | 0 | 2,154 | 195 | 0 | 2,062 | 9,454 |
| Housing & Communities | 0 | 4,812 | 456 | 385 | 0 | 109 | 0 | 5,762 |
| Internal Operations | 0 | 0 | 0 | 1,182 | 0 | 20 | 908 | 2,110 |
| Hinkley Capital Schemes | 0 | 85 | 0 | 0 | 0 | 0 | 0 | 857 |
| S106 Capital Schemes | 0 | 0 | 702 | 0 | 0 | 0 | 0 | 702 |
| Total | 13,166 | 24,870 | 1,790 | 4,466 | 195 | 129 | 119,533 | 164,148 |

- 16.2 There have been a number of bids for the General Fund Capital Programme (shown in Table 18 below). These have been prioritised on the grounds that they remedy health and safety risk, deliver essential asset maintenance and essential assets for service delivery. The total cost of bids to be considered is £1.158m. In addition, some of the recurring schemes for 2022/23 approved in February 2021 have been reviewed and reduced by £181k giving an overall increased proposal of £977k.
- 16.3 It is intended to avoid increasing the borrowing requirements for General Fund schemes when financing the proposals for 2022/23 new bids. It is proposed to finance this capital investment through prioritising revenue budget and reserves plus using S106 contributions towards affordable housing schemes.

Table 18 – Capital Bids and Proposed Funding

| | Current Approval £ | Capital Bids/ Returns 2022/23 £ | Revised/ Proposed 2022/23 Budget £ | Financed By: | | |
|--|--------------------|---------------------------------|------------------------------------|----------------|--------|-------------------|
| | | | | Revenue £ | S106 £ | Total Financing £ |
| Budget Changes: | | | | | | |
| External Operations | | | | | | |
| Leisure Grants to Clubs and Parishes | 15,000 | -15,000 | 0 | 0 | | -15,000 |
| Play Equipment Replacement | 20,000 | 15,000 | 35,000 | 35,000 | | 15,000 |
| New/Replacement Waste Containers | 100,000 | 26,000 | 126,000 | 126,000 | | 126,000 |
| Vehicles and Large Plant | 152,000 | -27,000 | 125,000 | 125,000 | | 125,000 |
| Plant and Equipment | 23,000 | 0 | 23,000 | 23,000 | | 23,000 |
| Internal Operations | | | | | | |
| Desktop Hardware Refresh | 280,000 | -180,000 | 100,000 | 100,000 | | 100,000 |
| Deane Helpline Equipment | 25,000 | 0 | 25,000 | 25,000 | | 25,000 |
| Sub-Total of Adjustments to Current Approvals | 615,000 | -181,000 | 434,000 | 434,000 | | 434,000 |
| | | | | | | |

| | Current Approval £ | Capital Bids/ Returns 2022/23 £ | Revised/ Proposed 2022/23 Budget £ | Financed By: | | |
|-----------------------------------|-----------------------|--|--|------------------|----------------|-------------------------|
| | | | | Revenue £ | S106 £ | Total Financing £ |
| New Budget Bids: | | | | | | |
| External Operations | | | | | | |
| Closed Church Yards | 0 | 50,000 | 50,000 | 50,000 | | 50,000 |
| Wellington Sports Centre Roof | 0 | 500,000 | 500,000 | 500,000 | | 500,000 |
| Vivary Park Footpaths | 0 | 180,000 | 180,000 | 180,000 | | 180,000 |
| Brewhouse Theatre – Roofing Works | 0 | 200,000 | 200,000 | 200,000 | | 200,000 |
| Housing | | | | | | |
| Grants to RSLs | 0 | 228,063 | 228,063 | | 228,063 | 228,063 |
| Sub-Total of New Bids | 0 | 1,158,063 | 1,158,063 | 930,000 | 228,063 | 1,158,063 |
| | | | | | | |
| Total bids | 615,000 | 977,063 | 1,592,063 | 1,364,000 | 228,063 | 1,592,063 |

- 16.4 The Capital Programme for 2022/23 includes prioritised projects and schemes for the year ahead. There is a capital liability not currently included in the proposed budget regarding works at North Hill in Minehead. This is likely to involve significant expenditure but at the time of preparing this report the requirements have not been costed. This is expected to come forward after the Budget for 2022/23 has been approved.
- 16.5 As set out above in the Revenue Budget above, it is recommended the Council makes an additional voluntary repayment of historic capital debt. This is enabled through the additional funding in the Settlement reducing the need to use general reserves in 2022/23 and proposes to support ongoing financial sustainability by using £1m of reserves in 2021/22 to reduce debt and financing costs in future years. As well as benefitting future general revenue costs of capital, this will soften the impact if the North Hill scheme is approved and requires an increase in capital borrowing.
- 16.6 Duke Street car park is owned by the Council and the land is currently held as an asset by the Housing Revenue Account, but is effectively operated as any other car park held by the General Fund. The Council is proposing to transfer the car park from the Housing Revenue Account to the General Fund. The appropriation of the car park will be undertaken in line with the latest technical guidance. Duke Street car park was independently valued for the 2019/20 accounts at £358k. The Housing Revenue Account Revenue and Capital Budget setting 2022/23 report recommends to approve the transfer of Duke Street Car Park from the Housing Revenue Account to the General Fund and to delegate authority to the Section 151 Officer to approve the final land transfer value.
- 16.7 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 whole Capital Programme.
- 16.8 It is recommended to delegate authority for S151 Officer to approve the CIL capital grants budgets for CIL capital receipts passed to town and parishes in line with the CIL policy. This is just to regularise and simplify the approval of budget changes for prescribed amounts of CIL receipts that are passed over to towns/parishes as they arise.

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 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 2022.

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 2022/23 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 and £500,000 in the 2021/22 budget 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 regarding 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 2022/23 Budget.

Democratic Path:

- **Corporate Scrutiny – 26 January 2022**
- **Executive – 9 February 2022**
- **Full Council – 24 February 2022**

Reporting Frequency: Annually**List of Appendices**

| | |
|------------|---|
| Appendix A | Breakdown of Total Spending on Services |
| Appendix B | Earmarked Reserves |
| Appendix C | Capital Programme Summary |

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