

Somerset West and Taunton Council

Executive – 22 January 2020

Draft 2020/21 Budget Progress and Initial Budget Options

This matter is the responsibility of Executive Councillor Henley

Report Author: Emily Collacott, Finance Business Partner and Deputy S151 Officer

1 Executive Summary / Purpose of the Report

- 1.1 The purpose of this report is to provide the Executive with an update on progress with regard to Budget Setting for 2020/21, the latest Medium Term Financial Plan (MTFP) forecasts and the areas to be finalised.
- 1.2 The Council's current MTFP projects a budget gap for 2020/21 of £686k. Following the proposed MTFP bids and savings identified the Budget Gap is a small surplus of £39k for 2020/21, but a significant deficit remains in subsequent years rising to £1.514m by 2024/25.
- 1.3 There remain a number of areas where budget forecasts are to be finalised therefore there is potential for the estimated Gap to change, and this will be reported to Members as the budget process is finalised in advance of February Full Council. The Executive is due to recommend its final budget proposals at its meeting on 10 February 2020.
- 1.4 An earlier version of this report was presented to the Scrutiny Committee on 8 January 2020. At that meeting the S151 Officer provided the committee with a verbal update regarding the detail of the funding Provisional Settlement for 2020/21 which was published after the Scrutiny report had been finalised. This report updates the position incorporating the Settlement information, and includes feedback from the Scrutiny 8 January meeting on the draft budget.

2 Recommendations

- 2.1 Executive Committee notes and considers the latest Draft Budget and Medium Term Financial Plan forecasts and the areas to be finalised.
- 2.2 Executive Scrutiny is requested to support the MTFP bids and savings

targets/proposals, considering feedback from the Scrutiny Committee, and resolve to finalise balanced budget proposals for presentation to Scrutiny, Executive and Full Council in February 2020.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
Risk: The Council fails to set a balanced budget and maintain adequate reserves, and cannot fund its priorities and objectives.	Feasible 3	Major 4	Medium 12
<i>Mitigation: The Leadership Team and Executive is committed to presenting a balanced budget for 2020/21, subject to Council decisions in February 2019, which includes Council Tax assumptions and fees and charges increases.</i>	<i>Slight</i> 2	<i>Moderate</i> 3	<i>Low</i> 6

Risk Scoring Matrix

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

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

4 Overview of 2020/21 Draft Budget Estimates and MTFP

- 4.1 The Financial Strategy for Somerset West and Taunton Council (SWT) was approved by the Executive on 18 September 2019. This report also provided Members with a provisional Medium Term Financial Plan (MTFP) position.
- 4.2 A further update on any significant changes to the MTFP was provided to the Scrutiny Committee on 6 November 2019. This was showing a budget gap in 2020/21 of £358k rising to £2.699m by 2024/25.
- 4.3 There are still some items which are unknown at this stage of the budget process. These are covered in section 10.
- 4.4 The **Provisional Settlement**, which provides the level of funding set by Government through business rates retention and general grants, was announced on 20 December 2019. The information arising is broadly in line with our previous expectations, with the main headlines being:
- (a) **Council Tax** – Government has confirmed district councils may increase council tax by up to the greater of £5 or 1.99%. The draft budget currently assumes a 1.99% increase. If the Executive is minded to recommend a £5 increase on a Band D property this would represent a 3.17% increase and improve the Council's income baseline within the draft budget by £103,000.
 - (b) **Revenue Support Grant** – Confirmed as £6,444, slightly higher than our previous estimate of £6,340 due to an inflation factor being applied. Government has again mitigated the potential “negative RSG” which would have reduced our funding by £128,000.
 - (c) **Rural Services Delivery Grant** – Confirmed as £241,506, no change to our previous estimates.
 - (d) **New Homes Bonus** – provisional grant for 2020/21 confirmed as £3,253,289, which is £38,529 higher than previous estimates. Information included with the Settlement confirms the 2020/21 ‘increment’ within the NHB calculation will be for one year only – not four years as per previous years. It also indicates the legacy payment from the 2018/19 and 2019/20 allocations will apply for four years, therefore the S151 Officer is minded to add the projected income back into the MTFP forecasts for 2021/22 and 2022/23, totalling £2.5m over the two years.
 - (e) **Business Rates Retention** – Baseline and Tariff allocations in line with our previous estimates. Local estimates for total business rates income are due to be completed in January 2020 which will determine the net income retained by SWT included growth above the baseline and potential Pooling gains.
- 4.5 There have been some changes to the budget gap to incorporate known unavoidable pressures and some savings identified. The table below summarises the changes to the Budget Gap since 6 November, including a small increase in New Homes Bonus estimates following the Provisional Settlement:

Table 1 - Summary 2020/21 Budget Gap Reconciliation

	£k	£k
2020/21 Budget Gap reported to Scrutiny 6 November 2019		358
<i>Service Cost Pressures:</i>		
Additional B&B Homelessness Costs	82	
Additional Telephony Operating Costs	108	
Review of Base Budgets	280	
Subtotal – Service Cost Pressures		470
<i>Service Cost Savings:</i>		
Reduction in Revenue Contribution to Capital	-96	
IEG4 Revs and Bens Licence no longer required	-34	
Increase in Treasury Investment Income (meets Savings Target)	-200	
Review of Fees and Charges	TBC	
Subtotal – Service Cost Savings		-330
Collection Fund deficit revised estimate		14
Lower Council Tax Base (estimate of Band D Equivalents)		174
2020/21 Latest Budget Gap Estimate December 2019 (reported to Scrutiny 8 January 2019)		686
<i>Changes following Provisional Settlement:</i>		
New Homes Bonus (NHB) Grant estimate increased	-38	
Amended Transfer of NHB to Growth Reserve	38	
2020/21 Latest Budget Gap Estimate January 2020		686

- 4.6 The following table sets out an updated summary of the Medium Term Financial Plan for Somerset West and Taunton. This is based on the current estimate of costs and predicted funding, updated following the Provisional Settlement, before MTFP bids and savings proposals below.

Table 2 – MTFP Summary 2019/20 – 2024/25

	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £
Services Costs	14,752,279	14,892,828	16,130,146	16,910,436	17,500,866	18,192,659
Net Financing Costs	356,540	389,900	464,260	627,370	410,480	403,590
SRA Contribution	99,090	98,787	99,775	100,773	101,780	102,798
Special Expenses	46,399	0	0	0	0	0
Earmarked Reserves-Growth	3,089,150	2,853,289	1,509,342	851,411	0	0
Earmarked Reserves-Other	2,834,631	988,638	0	0	0	0
Economic Growth and Prosperity Fund	1,200,000	0	0	0	0	0
General Reserves	0	0	0	0	0	0
Net Expenditure	22,378,089	19,223,442	18,203,523	18,489,990	18,013,126	18,699,047
Retained Business Rates	-7,787,783	-5,910,158	-3,989,206	-4,067,579	-4,145,952	-4,224,325
Business Rates prior year deficit	-1,331,905	0	0	0	0	0
Revenue Support Grant	-6,340	-6,444	0	0	0	0
Rural Services Delivery Grant	-241,506	-241,506	-241,506	-241,506	-241,506	-241,506
New Homes Bonus	-3,809,150	-3,253,289	-1,709,342	-851,411	0	0
Council Tax	-8,939,605	-9,091,252	-9,366,321	-9,650,005	-9,941,917	-10,242,820
Council Tax–SRA	-99,090	-98,787	-99,775	-100,773	-101,780	-102,798
Council Tax–Special Expenses	-46,399	0	0	0	0	0
Council Tax prior year surplus	-116,311	63,877	0	0	0	0
Net Funding	-22,378,089	-18,537,559	-15,406,150	-14,911,274	-14,431,155	-14,811,449
Budget Gap	0	685,883	2,797,373	3,578,716	3,581,971	3,887,598
Gap – Change on Previous Year	0	685,883	2,111,490	781,343	3,255	305,627

Note: The 2019/20 figures are based on the Original Budget approved in February 2019.

5 MTFP Bids

5.1 The Executive propose that the following MTFP proposals are considered to be included within the budget. The total amount of additional spending proposed for 2020/21 is £3.956m.

Table 3 – MTFP Bids Summary 2020/21 – 2024/25

	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
Staffing Budget	2,450	750	0	0	0
Asset Management	200	200	400	400	400
Park and Ride	230	235	240	245	250
Climate Change	75	75	75	75	75
Local Plan	82	36	60	60	60
CAB - further contribution	33	0	0	0	0
Dredging - outer harbour at Watchet	43	18	18	18	18
Clean Sweep	40	40	40	40	40
Network Support from SCC	25	25	25	0	0
Taunton BID - if successful SWT contribution	15	15	15	15	15
Additional 8*8 licences (150 more users)	13	13	13	13	13
IT ongoing costs from the Change Programme	TBC	TBC	TBC	TBC	TBC
Borrowing Costs of Capital Bids (section 12)	0	75	75	75	75
Contingency	50	0	0	0	0
Contribution to investment risk reserve	400	0	0	0	0
Contribution to General Reserves	300	0	0	0	0
Total	3,956	1,482	961	941	946

5.2 Below is a short description for each bid:

- a) **Staffing Budget:** As reported to Full Council on the 3rd December 2019, the Council's leadership team identified ongoing financial pressures in order to protect service standards and maintain capacity whilst completing the safe delivery of expected service process efficiencies and greater customer access to self-service. The Council is requested to support a continuation of additional staff capacity for a longer period (12-18 months) to ensure services continue and standards are maintained during a longer transition period. A cost reduction is required in future years as the Change Programme drives forward to deliver the service process efficiencies and demand management benefits anticipated.
- b) **Asset Management:** Following a review of assets additional funding is required, for reactive work needed, to maintain the Council's assets.
- c) **Park and Ride:** Proposed funding to maintain the Park and Ride (a separate report was considered by the Executive on 18th December 2019). The MTFP includes a forecast for this cost continuing on an ongoing basis, however formal approval is sought at this stage for 2020/21 budget only.
- d) **Climate Change:** To enable the Council to progress its climate and environmental commitments whilst the strategy is being progressed, this

budget allocation provides additional capacity to deliver early progress on strategy development and development of plans and business cases for further consideration. This stand-alone allocation does not represent the entirety of the Council's investment in services and projects that seek to further the Council's environmental objectives.

- e) **Local Plan:** To enable the Local Plan work to be undertaken (a separate report was considered by the Executive on 20th November 2019).
- f) **Citizens Advice Bureau (CAB) - further contribution:** A one-off additional contribution for 2020/21 only (a separate report with more detail is being presented to the Executive on 28 January 2020).
- g) **Dredging – outer harbour at Watchet:** The current budget is £7k per annum. The increase to £50k would allow for two dredges next year and then one dredge per annum, when the base budget is proposed to reduce to £25k per annum. In future the ambition is to increase the ongoing budget to £50k if affordable.
- h) **Clean Sweep:** To enable a regular “spring clean” of the larger towns within the district.
- i) **Network Support from SCC:** it has proved difficult to recruit for the skill set required for this essential work, therefore it is recommended to procure this support from SCC.
- j) **Taunton BID:** If the ballot for the BID is successful Somerset West and Taunton's levy is estimated to be £15k per annum.
- k) **Additional 8*8 Licences:** there is currently only budget for 450 licences whereas approximately 600 are required. This will be reviewed in future in line with the staffing budget above.
- l) **IT ongoing costs from the Change Programme:** work is currently underway to determine the costs, which will be included in the final budget report in February.
- m) **Borrowing Costs of Capital Bids:** If the capital schemes for the Replacement Play Equipment, Wellington Sports Centre Handling Units and East Quay Wall are approved the Council will need to borrow to finance these schemes which would cost £55k per annum from 2021/22 onwards.
- n) **Contingency:** A small contingency of £50k is included, pending finalisation of the budget plan for 2020/21.
- o) **Contribution to Investment Risk Reserve:** The Commercial Strategy was

approved by Full Council on 17 December 2019. Therefore work can start to be prepared with regards to commercial investments. An estimate of the income is included in the savings proposals below though it is prudent to set aside £400k to mitigate any shortfall in income, which will be monitored through the Council's budget monitoring process.

- p) **Contribution to General Reserves:** the estimated GF General Reserves position for 31st March 2019 is £2.756m, which is below the recommended operational limit of £3m. Therefore it is proposed to contribute £300k from next year's Revenue Budget to bring reserves above the limit. Options to increase this further will be considered as part of the 2019/20 end of year reporting, as it is prudent to maintain as much flexibility and resilience as possible whilst the Council implements plans to fully meet the current savings targets and further underlying budget gap projections.

6 Savings Targets/Proposals

- 6.1 The following table summarises the saving targets which were included within the financial strategy plus additional savings and funding proposals to meet the additional spending in the draft budget proposals. It is proposed to include these now within the MTFP alongside other savings proposals. The current MTFP includes a revenue contribution towards funding recurring capital items (RCCO) and it is proposed to fund these for the next two year using a mixture of borrowing and capital receipts. This is also summarised in the table below.

Table 4 – Savings Targets/Proposals Summary 2020/21 – 2024/25

	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
<i>Funding/Reserves allocations:</i>					
BRR Pooling Gain (20/21 one-off)	-1,000				
New Homes Bonus Reserve	-1,750	-1,000			
<i>Financial Strategy Targets:</i>					
Investment income (Commercial Strategy)	-840	-1,625	-2,000	-2,000	-2,000
Commercialisation and Service Income	-60	-125	-225	-225	-225
Service Efficiency	0	-100	-100	-100	-100
Procurement	-200	-250	-500	-500	-500
<i>Other options:</i>					
Parking Strategy	-500	-500	-500	-500	-500
Borrowing to replace RCCO (net of borrowing costs)	-56	-53	6	6	6
Capital receipts to replace RCCO	-275	-275	0	0	0
Total	-4,681	-3,928	-3,319	-3,319	-3,319

- 6.2 Below is a short description for each bid:

- a) **Business Rates Retention Pooling Gain:** Planned use of business rates retention income to fund additional service costs (staffing).
- b) **New Homes Bonus Reserve:** Planned use of new homes bonus reserve to fund additional service costs (staffing and other costs).
- c) **Investment Income (Commercial Strategy):** Following the approval of the Commercial Strategy it is proposed to build this income estimate into the MTFP. There is a degree of risk as investments will need to be progressed prudently but at pace to meet this target.
- d) **Commercialisation and Service Income:** Following the approval of the Financial Strategy this target can be built into the MTFP and will be considered alongside the information for Fees and Charges currently being reviewed.
- e) **Service Efficiency:** It is proposed that the savings target included within the Financial Strategy is slipped to start in 2021/22 rather than 2020/21 to align with the Change Programme.
- f) **Procurement:** Whilst renewing contracts any savings will be captured towards this target. The 2020/21 target will essentially be met by the insurance savings delivered in 2019/20.
- g) **Parking Strategy:** The Council is developing a parking strategy as part of the overall work on the Climate Emergency. It is currently estimated that the proposals would be to increase parking fees by approximately 20% which would initially result in an increase in income of roughly £500k. Any increase in fees would need to be agreed by Full Council. This income enables the Council to progress measures under Section 55 of the Road Traffic Regulation Act 1984.
- h) **Borrowing/Capital Receipts to replace RCCO:** The MTFP included a revenue contribution to capital (RCCO) to fund ongoing capital schemes. It is proposed to fund the majority of these from either borrowing or capital receipts for both 2020/21 and 2021/22, as the revenue resources are needed to meet revenue budget proposals.

7 General Reserves

- 7.1 General Reserves are currently estimate to be at £2.756m at 31st March 2020, which is below the minimum operational target set out within the financial strategy of £3m. It is recommended that £300k is transferred from the NHB reserves to General reserves to bring these back up above the minimum level.
- 7.2 The S151 Officer will review the minimum reserve requirement in February 2020 as part of the final budget recommendations.

8 Impact On MTFP of Bids and Savings

- 8.1 If all of bids and savings proposed are agreed the Draft Budget Gap has an estimated surplus of £39k for 2020/21, but rises to £1.514m by 2024/25.

Table 5 – Impact on MTFP 2020/21 – 2024/25

	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
Current MTFP	686	2,797	3,578	3,581	3,887
MTFP Bids	3,956	1,482	961	941	946
Savings	-4,681	-3,928	-3,319	-3,319	-3,319
Gap After Bids and Savings	-39	351	1,220	1,203	1,514

- 8.2 As highlighted in the financial strategy, the forecast is predicated on savings and income generation being delivered as planned. The funding position remains uncertain, however without an improvement in funding it is clear there is a significant challenge to balance the budget in future years, even if the planned savings are delivered.

9 Council Tax

- 9.1 The assumptions used in the previous report have not changed for Council Tax Charge increases. For financial planning purposes it has been assumed Council Tax Charges will increase by 1.99% each year from 2020/21. This is subject to consideration by the Executive through the budget process, which will formally recommend its Council Tax proposals to Council in February as part of the Budget report. As confirmed within the Provisional Settlement, there is the option to increase Council Tax (Band D) by up to £5 or 3.17% - see 4.4a above.
- 9.2 The Council Tax Base has been approved by the s151 officer on 13th December 2019, which has resulted in reduction in the assumptions compared to the previous update to Scrutiny on 6th November, and increases the Budget Gap for 2020/21 by £174k (shown in Table 2 above). The reduction in the base is mainly due to slower housing growth and increased Council Tax Support Scheme costs.

10 Areas Still to be Completed

- 10.1 Budget Holders have been asked to put forward their proposals for Fees and Charges. The impact of these is currently being reviewed by Finance. The S151 Officer has delegated authority to agree these (with the exception of Parking Charges) and an update will be provided within the next budget update report.
- 10.2 The **Business Rates Retention** provisional estimates will be completed soon – the deadline for the budget return (NNDR1) to Government is 31 January 2020. This is a complex calculation which could result in significant changes to the overall BRR income forecast. At this stage for financial planning purposes it is proposed that any changes compared to current estimates are offset by a transfer to/from

the BRR Smoothing Reserve reflecting prudent practice to manage volatility.

- 10.3 A review of the New Homes Bonus (NHB) funding for capital schemes is required, see section 12 below.

11 Business Rates Pooling

- 11.1 The 75% pilot scheme was for one year only in 2019/20. The Somerset Business Rates Pool continues under the 50% retention scheme in 2020/21. Indicative estimates at this stage show a potential gain of between £1m and £1.4m. The budget proposal above prudently includes £1m towards funding services in 2020/21. There is an element of risk as the actual income will not be confirmed until the end of 2020/21. This will be monitored through the budget monitoring process and if the £1m is exceeded options for allocating additional funds can be considered at that time.

12 New Homes Bonus (NHB)

- 12.1 NHB is a non-ring-fenced grant designed to incentivise housing growth. A contribution of £2.75m from NHB across 2020/21 and 2021/22 is recommended towards balancing the budget in order for the proposed spending plans to be affordable. As stated above, following the Provisional Settlement the NHB income forecast has been increased by £2.5m across 2021/22 and 2022/23. This provides greater confidence that current plans for the Growth Programme remain affordable, however this will need to be kept under review as it is a risk and if the funding position changes the Council might need to reduce spending plans or borrow to finance part of the Growth Programme, instead of using NHB, which will have an impact on future revenue costs.
- 12.2 Future NHB funding assumptions have been included within the MTFP, with no grant assumed after 2020/21. The table below show the indicative grant income projection:

Table 6 – NHB Grant Income Indicative Projection

Annual settlement:	Actual 2019/20 £k	Estimate 2020/21 £k	Estimate 2021/22 £k	Estimate 2022/23 £k	Estimate 2023/24 £k	Estimate 2024/25 £k
2016/17	841					
2017/18	1,259	1,259				
2018/19	858	858	858			
2019/20	851	851	851	851		
2020/21		285				
2021/22						
Total Annual Grant	3,809	3,253	1,709	851	0	0

- 12.3 The Government confirmed with the Settlement that the 2020/21 'increment' is for one year only, and that the Government will be reviewing the NHB scheme this year. It is prudent at this stage to assume this source of funding will not be available

to district councils beyond the estimates shown above.

13 Risk, Opportunities and Uncertainty

13.1 Ongoing risks and uncertainty for the budget at this stage include:

- a) **Not achieving the savings targets:** It is essential that work progresses to meet the savings targets included above and that the Change Programme delivers efficiencies to mitigate the temporary increase in costs. This is vital to ensure a sustainable budget position can be secured for the medium and long term.
- b) **Commercial Strategy:** The commercial strategy seeks to deliver significant additional income. The performance of investments will be critical to the affordability of service spending plans in future.
- c) **Local Government Finance Settlement (LGFS):** The Final Settlement is expected late January or early February. It is considered unlikely there will be any significant changes compared to the Provisional Settlement for 2020/21 however future years remains uncertain.
- d) **New Homes Bonus (NHB):** New Homes Bonus grant is at risk with Government confirming the 2020/21 allocation is one year only and there are plans to review the scheme. The Provisional Settlement indicates previous years' legacy payments will continue to 2022/23 however this is subject to confirmation of future Settlements for those years. The MTFP has assumed no NHB funding is available beyond 2022/23, which is considered prudent for financial planning.
- e) **Business Rate Retention (BRR):** The annual budget estimate return is due to be completed in January and therefore the forecast for BRR income could change for 2020/21.
- f) **BRR NHS Trusts:** A judge considering the claim for NHS trusts to be treated as a charity for the purposes of section 43(6) of the Local Government Finance Act 1988 has determined that NHS Trusts are not a charity. As such 80% mandatory relief is not applicable on NHS business rates accounts. This may be subject to appeal.
- g) **Council Tax:** MTFP is based on an assumption of an increase of 1.99% on the 2019/20 tax rate and future tax base growth of 1%. Any variation from these assumptions will affect Council Tax income estimates.
- h) **Fees & Charges:** These are currently being reviewed by Finance and the impact of these will be included in future budget reports. The proposed increase in parking fees is subject to Full Council approval and legal advice.

- i) **Business rates pooling:** The Somerset business rates pool continues under the 50% retention scheme in 2020/21. There is still a risk that income could fall below the £1m budgeted in the MTFP.
- j) **Brexit:** There may be unforeseen cost or service pressures.
- k) **Review of minimum reserves:** The S151 Officer will review reserves as part of the budget setting process in February to ensure reserves remain robust.
- l) **Collection Fund Surplus/deficit –** This will be finalised in mid-January and therefore the estimates included in the MTFP could change.
- m) **Minimum Revenue Provision (MRP):** This is being reviewed and will be addressed in the final budget report.
- n) **B&B Homelessness:** The inception of the Homelessness Reduction Act has result in a marked increase in approaches for advice and assistance and has extended the timescales under the relief stage of the act. This has placed further financial burden upon the Council and an increase within this budget has been included in the MTFP. Though there is a risk that this increase is not sufficient and any further impacts will be update in future reports.

14 2020/21 General Fund Capital Programme

- 14.1 The current General Fund Capital Programme in 2019/20 includes approved projects totalling £56.7m and is shown in Appendix A.
- 14.2 The recommended the approved General Fund Capital Programme is increased for capital bids totalling £3.04m, with £0.2m added to 2019/20 and £2.84m added to 2020/21. Table 7 below summarises the General Fund Capital bids that have been presented by services for consideration.
- 14.3 As mentioned in section 12 above Officers are currently reviewing commitments against the capital programme for which NHB funding was previously assumed. These will be updated in future reports. Similarly, the CIL-funded programme will also be included in the next budget report.
- 14.4 Funding of capital investment by the Council can come from a variety of sources (see below), table 7 below summarises the proposed funding of the Capital Bids for 2020/21:
 - Capital Receipts
 - Grant Funding
 - Capital Contributions (e.g. from another Local Authority / s.106 Funding)
 - Revenue budgets/reserves (often referred as RCCO – Revenue Contributions to Capital Outlay)

- Borrowing

Table 7 – 2020/21 Capital Bids

Scheme	2019/20 Cost £	2020/21 Cost £	Proposed Funding			
			RCCO £	Grants/ S106 £	Capital Receipts £	Borrowing £
Leisure Grants to Clubs and Parishes		15,000	15,000			
Vehicle Replacement		152,000			152,000	
Plant and Equipment		23,000			23,000	
New/Replacement Waste Containers		100,000			100,000	
Lifeline Equipment		25,000				25,000
Refresh of End User Devices		30,000				30,000
Members IT Equipment Replacement		4,000				4,000
Replacement Play Equipment		64,000				64,000
Wellington Sports Centre Air handling Units		253,000				253,000
East Quay Wall*	200,000	540,000				740,000
Tech – Microsoft 365 Migration		TBC				
Tech –Finance System Upgrade		TBC				
Resources for Change Programme		360,000			360,000	
DFGs		1,274,000		1,274,000		
Total	200,000	2,840,000	15,000	1,274,000	635,000	1,116,000

*Approval for this scheme sought Executive 22 January 2020 and Full Council 27 January 2020

14.5 The proposal to switch funding from a revenue contribution of £59k per annum to borrowing and £275k from capital receipts, for 2 years, has an increased cost of borrowing of £3k for 2020/21 and then £6k per annum from 2021/22 onwards, which is included table 3 in section 5.

14.6 It is proposed to fund the Replacement Play Equipment, Wellington Sports Centre Handling Units and East Quay Wall from borrowing with a cost to revenue of £55k per annum from 2021/22 onwards. Therefore this has been included within table 3 in section 5.

14.7 Below is a short description for each scheme:

- Leisure Grants to Clubs and Parishes:** These grant schemes allow us to award funds towards projects they are facilitating within their local communities. Voluntary Village Halls and Community Centre and Sports Clubs are awarded up to 33% of the project costs and Parish Councils are awarded up to 50% of the project costs.
- Vehicle Replacement:** The cost of a rolling programme to replace vehicles used by the locality champions.
- Plant and Equipment:** To replace plant and equipment items of small capital

value used by the locality champions.

- d) **New/Replacement Waste Containers:** To purchase new and replacement waste and recycling containers (bins and boxes) as part of the ongoing costs of the Somerset Waste Partnership.
- e) **Lifeline Equipment:** Lifeline units have a useful life of approximately 7 years, this is the cost to replacement the equipment on a rolling basis with approximately 1/7th replaced per annum.
- f) **Refresh of End User Devices:** Annual refresh budget which plans for laptops and tablets to be replaced on a rolling five year basis and smart devices every three years.
- g) **Members IT Equipment Replacement:** An annual budget for replacement of IT equipment for members.
- h) **Replacement Play Equipment:** To maintain the Council owned playgrounds within the Somerset West and Taunton Council area.
- i) **Wellington Sports Centre Air Handling Units:** Responsibility of plant remains with SWT. The current plant is more than 40 years old and as part of the recent procurement for a new Operator SWT committed to replacing the equipment following a condition survey recommending the replacement.
- j) **East Quay Wall:** This bid has been revised since the report to Scrutiny on 8 January 2020, reflecting updated cost estimates. Overall cost estimates are reduced from £910k to £740k, and approval is sought to allocate £200k of the revised sum in the 2019/20 budget as work is planned to commence before April 2020. A detailed report will be presented to the Executive on 22 January 2020.
- k) **Tech – Microsoft 365 Migration:** Officers are currently assessing the full cost of this project and an update will be provided in future reports.
- l) **Tech – Finance System Upgrade:** Officers are currently assessing the full cost of this project and an update will be provided in future reports.
- m) **Resources for Change Programme:** It is recommended to fund the resources required for the Change Programme from flexible capital receipts.
- n) **Disabled Facilities Grants (DFGs):** Enabling people to remain in their own homes by having access to facilities in and around the home. The Council has a statutory duty to deliver the grants under the Housing Grants, Construction and Regeneration Act 1996. The Regulatory Reform (Housing Assistance) Order 2002, and the Housing Act 2004.

15 Links to Corporate Strategy

- 15.1 The Council's MTFP underpins the planning of resources needed to meet the priorities and objectives within the Corporate Strategy and related plans

16 Finance / Resource Implications

- 16.1 The Council's financial position is set out above within the body of this report.
- 16.2 It is important that Councillors have a good understanding of the financial position and forecasts over the medium term.

17 Legal Implications

- 17.1 S.32 of the Local Government Finance Act 1992 sets out in detail how the Council must calculate its budget by estimating gross revenue expenditure, net income, and the council tax needed to balance the budget; s.25 of the Local Government Act 2003 requires the Chief Finance Officer (S151 Officer for this Council) to report on the robustness of the budget-setting estimates and the adequacy of the proposed financial reserves.

18 Climate and Sustainability Implications

- 18.1 It is proposed to include a budget of £75k per annum to enable the Council to progress its climate and environmental commitments whilst the strategy is being progressed.
- 18.2 The proposed increase in parking fees would enable the Council to progress measures under Section 55 of the Road Traffic Regulation Act 1984 towards reduction of environmental pollution and/or improving and maintaining the appearance or amenity of roads, land, open land or water.

19 Safeguarding and/or Community Safety Implications

- 19.1 None for the purpose of this report.

20 Equality and Diversity Implications

- 20.1 Officers have assessed the MTFP Bids and Savings targets/proposals and at present the only Bid for which it is considered an Equality Impact Assessment is required is the local plan.

- 20.2 Link to the District Wide EIA for the Local Plan:

<https://democracy.somersetwestandtaunton.gov.uk/documents/s7352/District%20Wide%20Local%20Plan%20EIA.pdf>

21 Social Value Implications

21.1 None for the purpose of this report.

22 Partnership Implications

22.1 The Council's budget includes significant expenditure on services provided by other key partners such as Somerset Waste Partnership, SHAPE Legal Partnership and Somerset Building Control Partnership.

23 Health and Wellbeing Implications

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

24 Asset Management Implications

24.1 If the proposed bid of £200k for asset management is not approved this will impact upon the asset maintenance programme and could result in higher costs being incurred in the future. Any further financial implications associated with asset management will be reflected within the Council's corporate and financial planning arrangements.

25 Data Protection Implications

25.1 None for the purposes of this report.

26 Consultation Implications

26.1 None for the purposes of this report

27 Scrutiny Comments

27.1 An earlier version of this report was presented to the Scrutiny Committee on 8 January 2020. At that meeting the S151 Officer provided the committee with a verbal update regarding the detail of the funding Provisional Settlement for 2020/21 which was published after the Scrutiny report had been finalised. Having considered the report and latest estimates, the feedback from the Committee was that it is broadly in support of the approach and items included in the current Draft Budget. It was also recognised by the Committee that if it is minded to suggest additional spending increases this will need to the Council to identify mitigating savings in order that a balanced budget can be maintained.

27.2 Specific comments and questions included:

- (a) Members of the committee recognised that the Council delivers resources in many ways and through many budgets across the Council towards the Climate Change priority. In respect of the specific additional budget bid of £75,000, the purpose of this was explained in more detail by the Portfolio Holder, Cllr

Pilkington, in that it will provide some additional resources to progress with plans and projects that emerge and he reassured the Committee this would be in addition to other resources that already positively impact on the Climate Change objectives. Scrutiny encouraged the Executive to consider increasing this budget provision if affordable and properly costed. It was also suggested the Climate Change Working Group be engaged in considering priorities that would most benefit from these funds.

- (b) In terms of budget bids, it was noted that most of the bids there was no inflation added in to future years. This is a fair observation and will be considered as the MTFP projections are finalised.
- (c) Further information was requested about the DLO vehicle fleet and whether this will include the use of electric vehicles. Cllr Pilkington assured the Committee that the Council is looking into the potential use of electric vehicles within the vehicle fleet.
- (d) The Committee welcomed the planned investment in the East Quay wall in Watchet.
- (e) The Committee noted that some aspects of the budget are still to be completed, including essential technology investment for which costs are being finalised. In addition the Committee noted that
- (f) The Committee were reassured that the budget proposals aligned with Council priorities.

Democratic Path:

- **Scrutiny – 8 January 2020**
- **Executive – 22 January 2020**
- **Full Council – No (final budget to be presented to Council 19 February 2020)**

Reporting Frequency: Ad-hoc

List of Appendices (delete if not applicable)

Appendix A	Capital programme
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