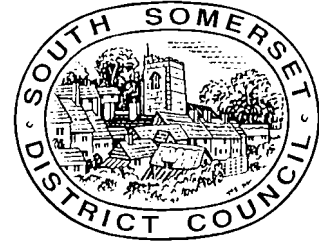


**South Somerset District Council**

*Notice of Meeting*



**District Executive**

*Making a difference where it counts*

**Thursday 7th September 2017**

**9.30 am**

**Council Chamber  
Council Offices  
Brympton Way  
Yeovil  
Somerset BA20 2HT**



Disabled access and a hearing loop are available at this meeting venue.

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Members listed on the following page are requested to attend the meeting.

The public and press are welcome to attend.

If you would like any further information on the items to be discussed, please contact the Democratic Services Manager on 01935 462148 or [democracy@southsomerset.gov.uk](mailto:democracy@southsomerset.gov.uk)

This Agenda was issued on Wednesday 30 August 2017.

**Ian Clarke, Director (Support Services)**

**This information is also available on our website  
[www.southsomerset.gov.uk](http://www.southsomerset.gov.uk) and via the mod.gov app**



# District Executive Membership

Ric Pallister  
Peter Gubbins  
Henry Hobhouse  
Val Keitch  
Jo Roundell Greene  
Sylvia Seal  
Peter Seib  
Angie Singleton  
Nick Weeks  
Derek Yeomans

## Information for the Public

The District Executive co-ordinates the policy objectives of the Council and gives the Area Committees strategic direction. It carries out all of the local authority's functions which are not the responsibility of any other part of the Council. It delegates some of its responsibilities to Area Committees, officers and individual portfolio holders within limits set by the Council's Constitution. When major decisions are to be discussed or made, these are published in the Executive Forward Plan in so far as they can be anticipated.

Members of the Public are able to:-

- attend meetings of the Council and its committees such as Area Committees, District Executive, except where, for example, personal or confidential matters are being discussed;
- speak at Area Committees, District Executive and Council meetings;
- see reports and background papers, and any record of decisions made by the Council and Executive;
- find out, from the Executive Forward Plan, what major decisions are to be decided by the District Executive.

Meetings of the District Executive are held monthly at 9.30 a.m. on the first Thursday of the month in the Council Offices, Brympton Way.

The Executive Forward Plan and copies of executive reports and decisions are published on the Council's web site - [www.southsomerset.gov.uk](http://www.southsomerset.gov.uk).

The Council's Constitution is also on the web site and available for inspection in Council offices. The Council's corporate priorities which guide the work and decisions of the Executive are set out below.

Questions, statements or comments from members of the public are welcome at the beginning of each meeting of the Council. If a member of the public wishes to speak they should advise the committee administrator and complete one of the public participation slips setting out their name and the matter they wish to speak about. Each individual speaker shall be restricted to a total of three minutes. Answers to questions may be provided at the meeting itself or a written reply will be sent subsequently, as appropriate. Matters raised during the public question session will not be debated by the Committee at that meeting.

Further information can be obtained by contacting the agenda co-ordinator named on the front page.

# District Executive

**Thursday 7 September 2017**

## Agenda

### 1. Minutes of Previous Meeting

To approve as a correct record the minutes of the District Executive meeting held on 3<sup>rd</sup> August 2017.

### 2. Apologies for Absence

### 3. Declarations of Interest

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the Agenda for this meeting.

Members are reminded that they need to declare the fact that they are also a member of a County, Town or Parish Council as a Personal Interest. Where you are also a member of Somerset County Council and/or a Town or Parish Council within South Somerset you must declare a prejudicial interest in any business on the agenda where there is a financial benefit or gain or advantage to Somerset County Council and/or a Town or Parish Council which would be at the cost or to the financial disadvantage of South Somerset District Council.

### 4. Public Question Time

### 5. Chairman's Announcements

#### Items for Discussion

### 6. Corporate Performance and Complaints Monitoring Report 2017/18: 1st Quarter (Pages 4 - 6)

### 7. Westlands Entertainment & Conference Centre Refurbishment Project (Pages 7 - 13)

### 8. Business Rates Relief - New Local Discretionary Relief (Pages 14 - 25)

### 9. Financial Strategy and Medium Term Financial Plan (Pages 26 - 47)

### 10. District Executive Forward Plan (Pages 48 - 52)

### 11. Date of Next Meeting (Page 53)

# Agenda Item 6

## **Corporate Performance and Complaints Monitoring Report 2017/18: 1st Quarter**

*Executive Portfolio Holder:* Ric Pallister, Strategy and Policy  
*Director:* Alex Parmley Chief Executive  
*Service Manager:* Andrew Gillespie Corporate Performance Manager  
*Lead Officer:* Anna-Maria Lenz, Performance Officer  
*Contact Details:* [anna-maria.lenz@southsomerset.gov.uk](mailto:anna-maria.lenz@southsomerset.gov.uk) or (01935) 462216

### **Purpose of the Report**

1. The report covers the period from April to June 2017 (Q1).

### **Forward Plan**

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of September 2017.

### **Public Interest**

3. The Council is accountable for its performance to the local community and we publish performance monitoring information to demonstrate outcomes and achievements.

### **Recommendations**

4. The District Executive is asked to note and comment on the report.

### **Background**

5. As noted in Annual Performance Report 2016/17, made to full Council in June 2017, SSDC is creating a new framework for performance management and our approach to corporate performance management is in transition

### **Performance Management**

6. As an integral part of the Transformation Programme, work has begun to redesign the collection, analysis and reporting of performance data throughout SSDC, not only to ensure we achieve the clear and ambitious outcomes we set ourselves but also to ensure that good quality data will drive and underpin our future policy development. Updates on this work will be made to members as part of the Transformation Programme reporting cycle.
7. To support this work, we are investing in new project and operational management technology including Civica Workflow 360.
8. At the core of future corporate performance reporting will be details of;
  - Strategic actions completed and progress
  - Progress against end of year outcome indicators
  - Resource current position and implications
  - Risks and how they are being managed
9. The Priority Projects agreed for 2017-18 are;

1. To implement the Transformation programme including income generation
  2. To complete the updating of the plans for regenerating Central Yeovil and Chard and progress implementation
  3. To deliver Phase 2 of the Yeovil Innovation Centre
  4. To complete the refurbishment and relaunch of the Westlands Complex
  5. To facilitate appropriate local development with both council and national funding
  6. To support our small and medium sized businesses across the District, including internet access, to meet their needs
10. A half year progress update on these projects will be included in the Q2 Performance report. More specific detailed reports are included in the District Executive forward plan.
11. During the transformation programme and the transition to a new performance management framework, we will continue to track the suite of Key Performance Indicators (KPI) selected in 2012. As well as showing achievements against targets, this will provide us with valuable pre-, during and post transformation data.

### Summary of Corporate Key Performance Indicators:

12. In Q1, all KPIs were on or above target.

Key Performance Indicator	Target	Actual	Lower is better	Higher is better
PI003 Planning Appeals	33%	30%	X	
PI004 Time taken to process Housing Benefit/Council Tax Reduction new claims and change events	14 days	7 days	X	
PI010 Total number of fly tips reported	450	228	X	
PI011 Total estimated cost of clearing reported fly tips	13,965	12,571	X	
PI012 Ave number of days to respond to a reported fly tip	5	5	X	
PI019 Temporary Accommodation - Average number of weeks in Bed & Breakfast	3.5	0	X	
PI020 Total number of people in all types of temporary accommodation	75	31	X	
PI031 Calls to contact centre resolved in contact centre	62%	62%		X
PI032 Working Days Lost Due to Sickness Absence	2.20	1.88	X	
PI035 Council Tax Collected	28.5%	28.8%		X

Trend indicators:	Outturn	
	Q1 16/17	Q1 17/18
PI001a Number of Housing Benefit cases received	9,439	8,624
PI001b Number of Council Tax reduction cases received	10,272	9,821
PI002 Ave number of JSA claimants in South Somerset	830	1,030
PI008 Requests for action from Streetscene Team	628	416
PI015 Number of households on the Choice Based Letting waiting list - all bandings	1,922	2,068
PI029 Number of incidents of antisocial behaviour reported to SSDC inc EH totals	513	553
PI033 Total Number of complaints received	48	62
PI034 Complaints resolved at Stage 1 of complaints procedure	100%	97%

### Complaints

During Q1, SSDC recorded 62 complaints. These were all resolved as per Council policy. This number is within the range of Q1 recorded complaints from lowest (31 in 2014/15) to highest (77 in 2015/16) and is small as a proportion of all SSDC customer contacts.

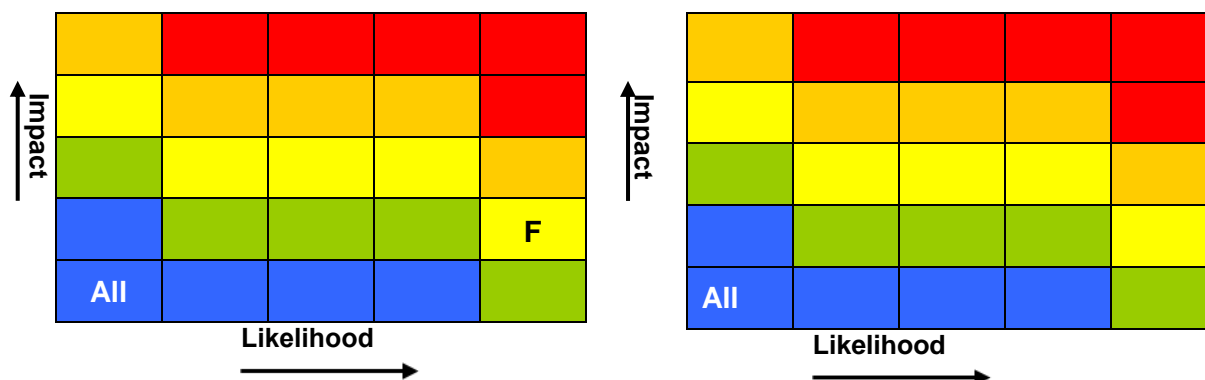
A more detailed analysis of complaints will be included in the Annual Performance Report 2017/18.

### Financial Implications

13. There are no direct financial implications related to this report.

### Risk Matrix

**Risk Profile before officer recommendations      Risk Profile after officer recommendations**



#### Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

### Council Plan Implications

14. This report is consistent with the Council Plan 2016 – 2021

### Carbon Emissions and Climate Change Implications

15. There are no direct implications

### Equality and Diversity Implications

16. There are no direct implications

### Privacy Impact Assessment

17. There are no direct implications

### Background Papers

Council Plan 2016-2021 & Annual Action Plan 2017/18

# Agenda Item 7

## **Westlands Entertainment & Conference Centre Refurbishment Project**

*Executive Portfolio Holder:* Councillor Sylvia Seal, Leisure and Culture  
*Director:* Clare Pestell, Commercial Services and Income Generation  
*Service Manager:* Adam Burgan, Arts & Entertainment Manager  
*Lead Officer:* Adam Burgan, Arts & Entertainment Manager  
*Contact Details:* adam.burgan@southsomerset.gov.uk or 01935 845911

### **Purpose of the Report**

1. This report provides an update on the work of the Arts & Entertainment Service with regard to Westlands Centre Refurbishment Project now that the initial development project has been completed; and the operational phase has now commenced. The report also sets out the next steps for the development of the service..

### **Forward Plan**

2. This report appeared on the District Executive Forward Plan/ with an anticipated Committee date of 7<sup>th</sup> September.

### **Public Interest**

3. The Arts & Entertainment Service at South Somerset District Council (SSDC) works to provide access to high quality cultural events across South Somerset. The Service operates The Octagon Theatre – Somerset's premier theatre for arts and entertainment and Westlands Entertainment and Conference Centre – the newly refurbished venue for conferencing and entertainment.
4. This report details activities and work that has taken place to date in terms of the refurbishment project and marks the completion of the Westlands refurbishment project and therefore the project closure. The report also sets out operational aspects of the venue along with the future plans for the development of the Westlands service, which attracts audiences from across South Somerset and beyond.

### **Recommendations**

5. That the District Executive notes the report including the closure of the refurbishment project.

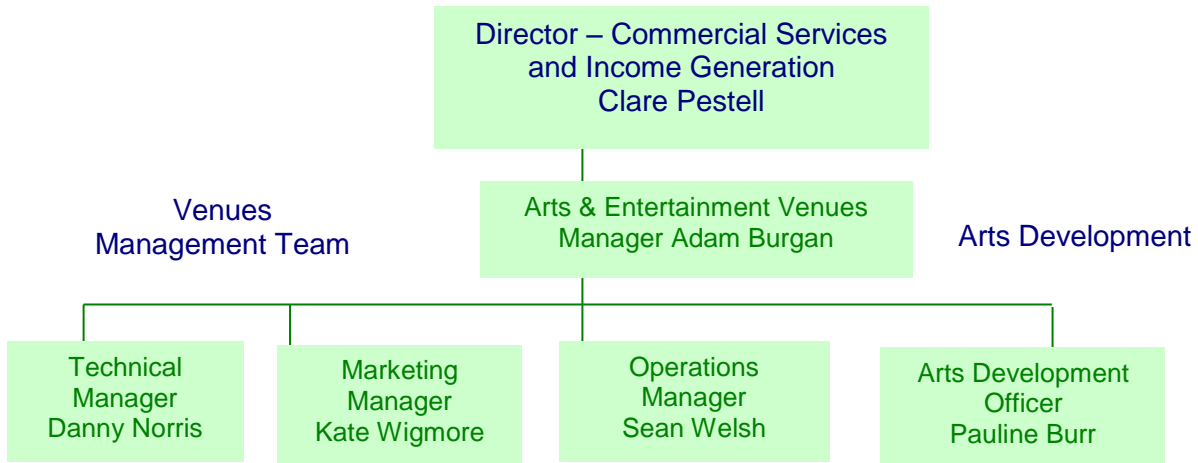
### **Background**

6. In 2014/5 Leonardo Finmeccanica made a business decision to close Westland Sports and Social Club, as it was making a substantial operating loss each year.
7. Those members of our communities who valued it as a community and social benefit and part of the towns heritage, signed a petition to save Westlands. It was signed by over 8,000 people, officially the largest petition ever submitted to SSDC.
8. South Somerset District Council listened to its residents and subsequently took the decision to step in and reopen it after a major refurbishment project of £2million was agreed, to bring the environment up to a modern day standard, with a broad sports, leisure and arts offering that would appeal to the wider district and become a flagship venue for the whole area. As well as being a valuable community asset, the basis of the decision by the Council was that the venue, including its refurbishment, would operate on a commercial approach with a view to generating a small

profit after the first few years, that would cover operating costs and pay back the refurbishment costs.

9. The venue refurbishment follows the agreement between South Somerset District Council and Leonardo Finmeccanica, of a 30-year lease. The cost of refurbishment has been paid for via a loan that will be repaid with interest over 30 years with the introduction of a £1 ticket levy.
10. Additionally, financial contributions from Leonardo and a numbers of Councils for the first five years have also been agreed.
11. It is envisaged that over the mid to longer term, as the reputation and business grows over time, the venue will break even and generate profits.
12. Westlands Entertainment and Conference Centre will complement the existing programme at The Octagon, broadening the programme of entertainment events on offer and striving to become the premier venue for conferencing, banqueting and meetings in the area, as well as the refurbished Sports & Fitness Centre offering. We aim to deliver a programme which inspires, educates and ultimately enriches the lives of those taking part, making South Somerset an ever improving place to live and work.
13. Just as the fortunes of the Octagon have been turned around over the past 5+ years with sound management, a strong business plan and a growing business and reputation, we intend to follow a similar approach at Westlands.
14. The Arts & Entertainment Service consists of The Octagon Theatre, Westlands Entertainment and Conference Centre and Arts Development and is part of Health and Well-Being under Director, Clare Pestell.

**Arts & Entertainment Structure**



15. Westlands Entertainment & Conference Centre is the council’s flagship venue for conferencing, meetings, banqueting and entertainment events. The venue is significant for the district and provides:
  - One of the largest and most flexible venues in Somerset with 870 seats, 350 capacity for banqueting, standing capacity of 950 or festival capacity (using the whole building) at 1,500.



- The Wheeldon Suite and The Parish Suite, meeting rooms available to hire with discounted rates for local charities and 'not-for-profit' groups.
- The Lounge Bar - open through the day for users of the site or visitors to the venue offering a café style menu and Box Office for events at both Westlands and The Octagon.
- A flexible venue suitable for a wide range of events from large-scale conferencing, weddings, parties, balls, boxing and wrestling events, trade fairs and standing gigs to theatre style shows.
- The Foyer Club – the team of volunteers who have been volunteering at the Octagon for over thirty years have taken on Front Of House duties at Westlands. The Friends of Westlands have setup as an independent fundraising body to support the development of Westlands.
- The Footlights Club – rewarding regular customers with discounted tickets and priority booking now applies to both The Octagon and Westlands.

## Report Detail

### Refurbishment Project Concluded

16. Refurbishment construction work has now been completed and the final account with ECB (lead contractors) has now been concluded and a final project management report from Kirkham Board will be issued to the Project Board. Against the revised budget the final account will result in a overspend of just under 10%. This was within the range that was reported by Steve Joel, former Assistant Director for Health and Wellbeing, at the District Executive Meeting on 22/06/17.
17. The overspend was mostly due to factors that were unforeseen at the project planning and design stage including:
  - upgrading power connections to the premises to ensure that there was a sufficient supply for future services;
  - meeting fire risk, health and safety requirements to ensure public and staff welfare;
  - asbestos matters within the property once works were underway; and
  - vandalism and damage to the new roof during works, that needed to be repaired and caused delays to the project
18. Regardless of building works delays and unexpected issues such as the above, which can happen with most projects of this nature, the venue opened on time on 27<sup>th</sup> March 2017 and has been hailed a resounding success with some extremely positive feedback received.
19. Despite the final building work only being completed in mid-June all scheduled events have taken place since opening and the staff have worked tirelessly around these issues to ensure everything has run according to plan.
20. Clearly, the building work delays were not forecast and therefore these have impacted on the original business forecast, such as ability to actively promote and operate at full capacity and generate additional new bookings during the first three months of operation. Staff have had to work harder to overcome these issues and until building work was completed, the site cleared and left in a condition that was fully appropriate to show potential customers around, the complete offering to customers that had been envisaged was not available.

21. However, the team are working hard to grow the business rapidly now that they are in a position to do so going forwards.

### **Successes to Date and Growth**

22. The team has already delivered successful events including a number which have sold out; such as events from 'Justin's Party' – which sold out two performances within an hour. Popular events from stand-up comedians Joel Dommett, Rich Hall and Henning When also sold out. Themed party nights like 'Poptastic!', 'Back to the 80s' have also proved popular; and the first Somerset Gin Festival is still receiving much positive feedback. Ticket sales are currently in line with national averages.
23. Local events like Yeovil Amateur Boxing and Yeovil Beer Festival have returned with over 3,000 people attending the Beer Festival alone. We now have weekly hires from groups such as Westlands Ballroom and Latin Club and LeRoc modern jive.
24. An open day on Saturday 13th May invited members of the public to see the new facilities and tour the building. Events and activities throughout the day showcased the different opportunities for people to join in working with the other facilities and groups on the site.
25. There is a subsidised rate for local 'not for profit' groups and it is good to see a number of local hirers returning to the venue, that were regular visitors pre-refurbishment.
26. Therefore, we are already reaching and appealing to a wide audience of local and regional residents as well as tourists in the area.
27. We continue to develop our film and 'Live theatre' screenings and from 1<sup>st</sup> September will offer an alternative to the multiplex experience, with a sofa seating configuration in the ballroom, offering a more relaxed and comfortable cinema experience. The programme of the best of mainstream cinema, independent, foreign language and 'live theatre' screenings will complement our existing audience at The Octagon.
28. Interest in the venue for events has been very high and it has been difficult to accommodate all the requests for tours and meetings. Prospects for developing usage of the venue and a busy and vibrant programme look promising. The Events Sales Manager, Justine Parton, has received hundreds of enquiries for meetings, conferences, banquets, fairs and other events.
29. At present the Events and Sales Manager is so busy dealing with enquiries that she has been unable to go out and promote the venue further to seek out new business opportunities externally. Whilst we want to build up regular users of the venue, the first meeting is always the most time consuming, showing prospective customers the venue, understanding their use, setting up suppliers and ensuring their event is delivered successfully. Once customers become repeat clients the amount of time taken to deliver their events reduces significantly. However we feel that increased resource in this area is required to increase and deliver usage of the facility.
30. Increased resource for the smaller and more time consuming elements of this process would allow the Events Sales Manager to focus on larger scale events that will be more profitable. Therefore, we are in the process of recruiting an Events and Hospitality Intern that will support the manager and allow her to use her time as efficiently as possible in generating new business and more growth; whilst providing a valuable opportunity for a graduate to gain practical and operational experience.

31. Social Networking pages are still in their infancy but the Facebook page already has 2,670 followers.
32. Further support and activity from central marketing will benefit the service and bolster the work that is already taking place. As SSDC increases its marketing resource through Transformation redesign a more commercial focus on the income generation areas will become a priority.
33. The service is in the process of making an application to the Gambling Commission to licence the venue and authority for Bingo – an event that was previously profitable and popular – for which we have received numerous requests to reinstate. This will enable the venue to attract a wider audience still and provide a lost community regular event that meets the need of an additional section of the community.
34. In conclusion there are many ‘green shoots’ within the service and the potential for Westlands to achieve its full community and business potential over time.
35. The initial four months of trading have been highly challenging as is the case with all new business ventures, but the public response has been exceptionally positive. Officers have worked tirelessly to get the venue up and running. There is now more work to do to reach the full potential of the venue and grow the reputation across the region.

### **Operational Matters**

36. The final Fire Risk Assessment (FRA) is in hand with most of the suggested amendments to the overall building already implemented. The remainder are being pursued, working with the Fire Risk Assessor to ensure that all matters are dealt with in a timely fashion as soon as possible. The remainder are minor matters and acceptable to continue operations as usual. The outstanding items are currently being worked through with Property Services.
37. The Event Management Plan document is a comprehensive document developed by the Operations Manager with feedback from the Emergency Services. The document is reaching its final ‘master’ version with a template that can then be adapted and tailored to ‘medium – high risk’ events.
38. Improved signage, both on site and directional ‘brown signs’ through the town, are in hand.
39. The Artists Walkway allowing artists a covered access from the green room and FOH areas to backstage without the need to walk through the ballroom is in progress and Property Services will update on the time scale for building work soon.
40. Following the successful letting of the office on the first floor to Full On Sport, work is being undertaken to install a toilet and kitchenette on the first floor and securing independent access for the tenants. There are also plans to convert the first floor Parish Suite into a lettable office space.

### **Financial Implications**

41. The final project cost outcome as at the July 2017 was as follows:
  - Final budget (revised)           £3,723,318
  - Total project spend               £4,080,409
  - Overspend                           -£357,091
  - % overspend                       9.59%
42. The original business plan was written by Steve Joel, former Assistant Director, based on best information available at that time, including the previous Westlands Sports and Social Club

operators' accounts, input from Adam Burgan having considered the Octagon business and experience and SSDC Accountant, Jayne Beevor.

43. The financial implications based on the assumptions set out within the original Business Plan indicate that the costs of operating the facility will be in the order of £132,000 net per year.
44. A number of local councils, including West Coker, Yeovil Without Parish Council and Yeovil Town Council, as well as Leonardo have agreed to offer a specific financial contribution towards operating costs in the first five years. Should an operating surplus be made in this time repayment on a pro rata basis will be made to those bodies above, in line with agreements.
45. Through their funding agreement Leonardo would also be covering the business rate cost (estimated to be in the order of £70,000 / year).
46. Whilst the original business plan had forecast a £37,000 loss in year one, this was an optimistic forecast when previous operators had made significant annual losses, leading to Leonardo taking the business decision to close the facility.
47. Now that the venue is fully operational with actual trading figures becoming available the business plan will be reforecast before December 2017, based upon the first six months actual trading figures to the end of September, giving known actual costs, overheads and income to date plus anticipated bookings for the year ahead. These revised figures will be reported later in the year.
48. Going forwards Westlands will become another of SSDC's operational businesses and reported in the usual way through budget monitoring from January 2018.

### **Risk Matrix**

49. Not applicable – report for noting only.

### **Council Plan Implications**

50. The Arts & Entertainment Service is primarily linked to THEME 3: IMPROVE THE HOUSING, HEALTH AND WELL-BEING OF OUR CITIZENS
51. "We consider that decent, affordable housing is vital to the overall health of our citizens. We want to ensure that all of the community has access to sport, leisure and arts and heritage opportunities"
52. Specific priorities associated to the service are 3.31 Increase engagement in the Arts.

### **Carbon Emissions and Climate Change Implications**

53. The Arts & Entertainment Service contributes to SSDC targets of Reducing Carbon Emissions by adopting a culture where this is considered in everyday decision-making. The service has appointed a Carbon Champion who encourages staff to save energy, recycle, and adopt more environmentally friendly ways of delivering our service.

### **Equality and Diversity Implications**

54. The Arts & Entertainment Service strives to make the service and those offered by its partners accessible to everyone. We ensure that all our partners hold an Equality and Diversity Policy and that equality is one of the core principles of the organisation. Our programme of performances,

events and projects aims to offer a diverse range of events which inspire, educate, enlighten and entertain whilst bringing the community together.

### **Privacy Impact Assessment**

55. Not applicable.

### **Background Papers**

Westlands Leisure Complex update report – District Executive: July 2017, May 2016, February 2016, September 2015

Westlands Leisure Complex - Council – October 2015

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# Agenda Item 8

## **Business Rates Relief – New Local Discretionary Relief**

*Executive Portfolio Holder:* Peter Seib, Finance and Legal Services  
*Director:* Ian Clarke, Director – Support Services  
*Service Manager:* Ian Potter, Revenues and Benefits Manager  
*Lead Officer:* Sharon Jones, Revenues Team Leader, Revenues and Benefits  
*Contact Details:* Sharon.jones@southsomerset.gov.uk or 01935 462256

### **Purpose of the Report**

1. To request that the District Executive approve the use of the Council's local discount powers to introduce the proposed "Revaluation Support Relief" Scheme to support businesses that have been adversely affected by Business Rates Revaluation on 1 April 2017.

### **Forward Plan**

2. This report appeared on the District Executive Forward Plan with an anticipated committee date of September 2017.

### **Public Interest**

3. The Rating List contains details of the rateable value assigned to all types of premises subject to Business Rates. The rateable value is used to calculate the Business Rates charge for each entry in the list. A Business Rates Revaluation normally takes place every five years resulting in a new Rating List being introduced. The latest revaluation was due to take effect from 01 April 2015 but was delayed by two years. This means the new rating list came in to effect from 1 April 2017. A Transitional Relief Scheme is introduced with each new rating list. This phases in the changes to rateable values. In the Spring Budget the Government announced a Discretionary Relief Scheme and package of funding to support those businesses most adversely affected by the revaluation. The design and administration of these schemes is for authorities to decide.

### **Recommendations**

4. That the District Executive recommend that Full Council approve a new local discretionary rate relief, The "Non Domestic Rates Revaluation Support Relief" Scheme, effective from 1 April 2017 as detailed below.

### **Background**

5. In the Chancellor's Spring Budget, the Government announced a package of measures to support business rate payers following the introduction of the new rating list. The measures are:
6. Supporting Small Businesses relief and Business Rate Relief Scheme for Pubs  
These measures have already been approved at District Executive 6 April 2017. For reference more details on these schemes can be found in Annex A.
7. New Discretionary Rate Relief  
The establishment of a £300m discretionary fund over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation. Billing authorities were expected to develop their own discretionary relief schemes to deliver targeted support to those who are facing an increase in their bills following revaluation.

8. In working out the grant to be paid to each billing authority out of the discretionary fund referred to in paragraph 7 the following methodology has been used by Government:
- the rateable property has a rateable value for 2017-18 that is less than £200,000;
  - the increase in the rateable property's 2017-18 bill is more than 12.5% compared to its 2016-17 bill (before reliefs)
9. South Somerset District Council has been allocated the following funding and intends to use its discretionary powers to introduce a new local discretionary rate relief:

Year	Amount of funding
2017/18	£526k
2018/19	£255k
2019/20	£105k
2020/21	£15k

### **Proposed Non Domestic Rates Revaluation Support Relief Scheme**

10. South Somerset's scheme has been designed to primarily follow the criteria used by the government when allocating the funding to local authorities. The proposed scheme for SSDC to adopt is as follows:
11. Conditions of the relief:
- There has been an increase in liability of more than 12.5% after transitional relief, small business rate relief, mandatory rural rate relief and mandatory charity relief have been applied.
  - The ratepayer must have been registered on our IT System and in continuous occupation since 31 March 2017 (Relief will not be applied where a ratepayer claims occupation retrospectively)
  - Those properties entitled to Supporting Small Business Rate relief or Small Business extension relief will not be entitled to this relief
  - Properties must be on the rating list as at 1 April 2017. (Relief will not apply where properties are entered into the list retrospectively).
12. Where a qualifying ratepayer's 2017/18 and, or 2016/17 rates bill is reduced for any of the reasons listed below their Revaluation Support Rate relief will be reduced or removed accordingly.
- A relevant change in the rateable value of an entry in the 2010 and, or 2017 rating lists.
  - A successful application of any other type of rate relief or exemption.
  - Where the rate payer vacates the property.

There will be no increases in Revaluation Support Relief awards as a result of a rateable value entry change. However if they have suffered hardship as a result they may make an application for relief from the reserve fund (see below).

13. Based on the available funding, it is proposed that discretionary relief at the following percentages of the net increase in the bill for 2017/18 would be granted:

Financial year	Percentage relief of net increase for those with RV under 200,000	Percentage relief of net increase for those with RV over 200,000
2017/18	43%	15%
2018/19	21%	7%
2019/20	8.5%	3%
2020/19	0%	0%

14. If we are permitted to transfer funds between years, or if the take up of the relief is low or if the policy is not meeting the objectives, then a review of the policy and the level of assistance that can be provided will be undertaken.
15. A reserve fund will be retained for those businesses (i) that do not qualify for Revaluation Support Relief and (ii) who have experienced an increase in business rates due to the revaluation, and (iii) who have suffered hardship as a result and (iv) whose circumstances are such that the authority wishes to provide them with assistance. This is a limited fund which is retained from the government allocation each year and once the fund has been spent no further applications will be considered. Hardship applications will be managed in the same manner as other reliefs.

#### **Reserve fund**

<b>Financial year</b>	<b>Total reserve fund</b>
2017/18	£44,000
2018/19	£22,000
2019/20	£10,000
2020/21	£15,000

16. Relief from taxes, including non-domestic rates, can constitute state aid. Therefore the granting of this relief will be subject to the business having received less than €200,000 state aid in the current and previous 2 years. In all cases ratepayers will be required to provide the Council with sufficient information to determine whether these provisions are applicable in their case.
17. Several options for the scheme were discussed and rejected at Scrutiny Task and Finish. Consideration was given to a relief for everyone where they had an increase and also an increase cap of 12.5% was considered. Full details of the considerations can be found in the scrutiny report which is attached as Annex B
18. Major preceptors have been consulted on the scheme. The Devon & Somerset Fire and Rescue Service have raised no objections to the proposal. We have not yet had a response from Avon and Somerset Police Authority or Somerset County Council.

#### **Financial Implications**

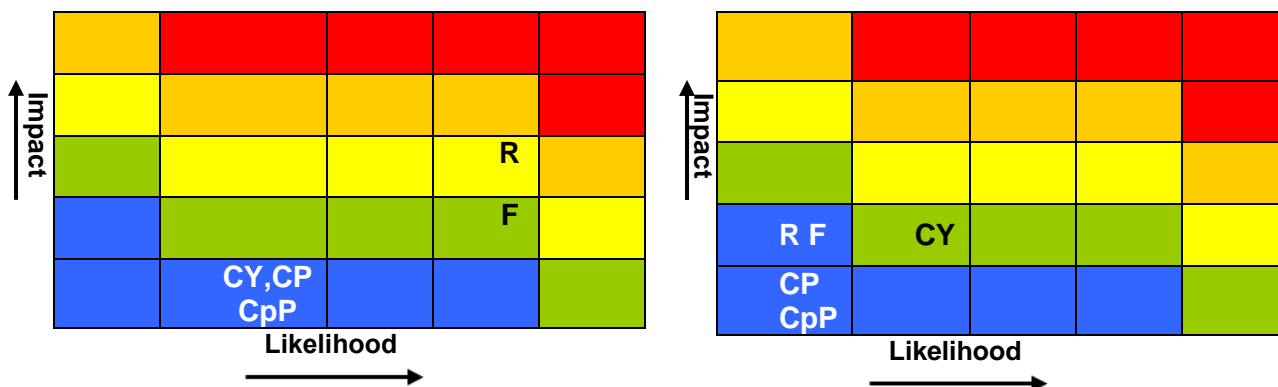
19. Where the Council uses its local discount powers to introduce the New Local Discretionary relief to be known as “Revaluation Support Relief” as described above the cost will be reimbursed in full by Government.
20. Any amendments to the proposed scheme which would increase the cost of it above the government allocation will result in a direct cost to SSDC.

#### **Risk Matrix**

**Risk Profile before officer recommendations**

**Risk Profile after officer recommendations**





**Key**

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact & insignificant probability

**Council Plan Implications**

21. The proposed policy supports the “Economy” Priority - To promote a strong economy with thriving urban and rural businesses.

**Carbon Emissions and Climate Change Implications**

22. None associated with this report

**Equality and Diversity Implications**

23. EQA completed and there is no impact on this report.

**Privacy Impact Assessment**

24. Consideration has been given to the Privacy impact assessment and as there is not direct marketing implications there is no impact. A privacy statement will be included with the application forms.

**Background Papers**

Business Information letter confirming Sprint Budget measures  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/598272/BRIL\\_2-2017\\_Budget\\_Measures.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/598272/BRIL_2-2017_Budget_Measures.pdf)

Business Information letter confirming guidance for spring budget measures  
<https://www.gov.uk/government/publications/42017-spring-budget-update>

Confirmation of the fund to be allocated to Authorities  
<https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>

DX report where approval was given for Supporting Small Business Relief and Pub Relief  
<http://modgov.southsomerset.gov.uk/documents/s15395/8%20Business%20Rates%20Relief%20-%20Spring%20Budget%20Measures%202017.pdf>

## Supporting Small Businesses relief

The Supporting Small Businesses Relief is designed to help ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their Small Business or Rural Rate Relief and, as a result, are facing large increases in their bills.

The Supporting Small Businesses Relief will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:

- a) a cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers currently paying nothing or very small amounts are brought into paying something, or
- b) the matching cap on increases for small properties in the transitional relief scheme [The cap being 5% for 2017/18, 7.5% for 2018/19, 10% for 2019/20, 15% for 2020/21 and 15% for 2021/22]

Formal guidance on the operation of the scheme including more complex cases and future financial years has been provided. We have 56 ratepayers entitled to this relief and they have been informed and instalments reduced pending the ability to award the relief on our system.

### Business Rate Relief Scheme for Pubs

The Government introduced a new relief scheme for pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a £1000 discount on their 2017/18 bill. This is a one year relief scheme. DCLG have now published guidance as shown below:

The Government's policy intention is that eligible pubs should:

- be open to the general public
- allow free entry other than when occasional entertainment is provided
- allow drinking without requiring food to be consumed
- permit drinks to be purchased at a bar.

For these purposes, it should exclude:

- restaurants
- cafes
- nightclubs
- hotels
- snack bars
- guesthouses
- boarding houses
- sporting venues
- music venues
- festival sites
- theatres
- museums
- exhibition halls
- cinemas

There are 116 pubs in our area that would be eligible for this relief and applications have been sent to all ratepayers.



# Non Domestic Rate (Business Rates) Revaluation Support Relief Policy

Report and Findings of the Overview and Scrutiny Task and Finish Group

August 2017

## Chair's Foreword

The Chancellor announced as part of the budget on 8<sup>th</sup> March that the Government would provide a £300 million discretionary fund for four years from 2017-18 to support those businesses and organisations most adversely affected by the revaluation of business rates.

The government has assumed that authorities will provide support only to those ratepayers who are facing a significant increase in their bills as a result of revaluation; South Somerset District Council has been allocated £901,000 for the four years.

The Overview and Scrutiny Committee agreed to conduct a Task and Finish review to help inform the Revaluation Support Relief Policy looking to provide a scheme that will aid those business and organisations across South Somerset who have suffered the greatest increases and to make the most of the funding available.

I would like to take this opportunity to thank the officers who supported us on this review. Thanks to their efforts providing timely information and evidence the Task and Finish group have been able to make informed decisions and produce this report in a very short period of time.

*Sue Steele*

Scrutiny Committee Chair

## **Task and Finish Group Membership**

Councillor Sue Steele - Chair of Task and Finish Group  
Councillor Gerard Tucker  
Councillor Carol Goodall

All members worked collectively with the support of Jo Gale – Overview and Scrutiny Manager and the Project Officer Group:

James Gilgrist – Economic Development Officer  
Sharon Jones – Revenues Team Leader  
Ashley Smalley – Business Rates Officer

## **The Work of the Task and Finish Group**

The Task and Finish Group commenced work in June to consider how best to allocate funding from Central Government to help businesses and organisations who as a result of the Business Rate Revaluation 2017 have been adversely affected. The group had the following ambitions:

- To achieve the criteria as prescribed by Government whilst ensuring the scheme is not administratively burdensome. (Staff will have to manually calculate the awards as the charges to have the system altered are disproportional).
- To ensure the application process is easy and accessible to ensure no one is deterred from applying.
- To maximise the use of the grant.
- To work in a timely manner to inform the policy quickly to ensure businesses and organisations receive the support in a timely manner.
- The policy is informed by evidence and therefore reflects local need.
- Equalities are considered throughout the policy creation process.

At the initial Task and Finish meeting the group were presented with the background information of the revaluation relief grant, the rationale and the calculation for the sum of the grant and the conditions surrounding the grant:

- The Council is not allowed to put additional conditions or criteria around the provision of the grant, for example you cannot request a business or organisation undertakes a specific activity or spends the grant on specific activities or items.
- The award of the revaluation support complies with European Union state aid limits.

The group reviewed how the revaluation had affected businesses and organisations across South Somerset to understand the specific impact on individuals and the impact across different sectors (this identified warehouses and factories as the most adversely affected). The group then proceeded to discuss potential different options and approaches, including:

- Using the government's rationale and calculation of the grant as the basis of the policy.
- Providing funding to those of the retail industry in an ambition to support retail centres.
- Awarding a fixed amount across all those affected.
- Using a hardship based criteria, providing the grant to help those that truly need it.
- Excluding national and multi-national businesses and companies.

After much discussion of the differing options members concluded:

- The fairest approach was to provide support that was proportional to the increase that had been incurred.
- It was not appropriate to single out any particular sector as all sectors had been adversely affected and without being able to apply any conditions to the support it is impossible to ensure the support is used to maintain a specific sector or service in a given area.
- It was not appropriate to cut off the support for properties with a Rateable Value of up to £200,000, many of the businesses and organisations across South Somerset that have been adversely affected are larger premises but this does not mean they have a greater ability to afford the substantial increase.
- To only provide revaluation support where significant hardship could be proven as a result of revaluation would be complex and incredibly time consuming in terms of staff resource. It may not maximise the grant. The businesses and organisations that are in greatest need could be deterred from applying particularly if substantial evidence needs to be provided.
- National and multi-national companies should be eligible to apply as these provide employment and contribute to the economy; we do not want to put our relationship with these companies at risk.

The group agreed based on the evidence of impact on cases across South Somerset, the preferred approach is to apply a percentage based grant award to those who are most adversely affected.

Members explored applying numerous different value caps (how much of an increase the business or organisation has incurred) with different combinations, Rateable Values (RV) and percentages of support given. The group agreed no matter where the support were to start from there would always be some business and organisations that would fall outside of the policy that would still be adversely affected by revaluation and could struggle to manage; it was agreed that monies should be allocated to a special hardship fund for those business and organisations to apply for, and that awards from this should be on case by case basis.

The group resolved the best balance of award was to provide the following percentages of support:

<b>Financial year</b>	<b>Percentage relief for those with RV under 200,000 where they have suffered a net increase of more than 12.5%</b>	<b>Percentage relief for those with RV over 200,000 where they have suffered a net increase of more than 12.5%</b>
2017/18	43%	15%
2018/19	21%	7%
2019/20	8.5%	3%
2020/21	0%	0%

Members agreed that the award for those with properties with a rateable value over £200,000 should be less as the sums of money to individual businesses or organisations would be so large and could be considered a disproportional share of the funding.

To illustrate this I have provided the range of relief for 2017/18:

For premises with a Rateable Value under £200,000 the relief provided will be £90 up to £10,770 – total 230 cases

For premises with a Rateable Value over £200,000 the relief provided will be £2,442 up to £20,859 – total 22 cases

The net 12.5 percent Increase was agreed by members as the appropriate starting point as this is a proportional substantial increase. Anything less than this would result in hundreds of extra cases and the smallest amounts awarded would be in the tens of pounds and this would be disproportionate administration to beneficial impact.

This method of award provides a special hardship fund of:

<b>Financial year</b>	<b>Total reserve fund</b>
2017/18	£44,000
2018/19	£22,000
2019/20	£10,000
2020/21	£15,000

This funding would only be available to those who are not receiving revaluation support; the fund will be awarded on a first come first served basis.

The group requested that the take up of the Revaluation Support is monitored and the revenues team look for any patterns of businesses or organisations falling into arrears to ensure we are maximising the funding and utilising it in the best possible way.

Members agreed where Transitional, Charity, Small Business Rate and Rural Rate Relief is awarded, revaluation support relief will be given on the net amount payable. Where a pub has been awarded the £1000 one year discount the revaluation relief is given in addition to the Revaluation Support Relief as this is a once off award and was intended to specifically aid pubs (there are 17 across South Somerset).

## Equalities and proportionality

The group considered equalities and proportionality throughout the review. It was not possible to gauge the impact of the Revaluation Support Relief on those with protected characteristics as we only hold the ratepayers name and no further information.

## Risks

Other Authorities exclude national and multi-national ratepayers from applying for revaluation support. Therefore SSDC receives applications from all national and multi-national business and organisations occupying properties in South Somerset consequently reducing the amount of support that could be given to local businesses and organisations only. The figures provided in the proposed scheme have costed for this.

Large numbers of ratepayers who have had a net increase of less than 12.5 percent apply to the hardship relief scheme and the fund runs out. Each ratepayer applying to the scheme has to demonstrate that the increase in rates payable as a consequence of revaluation is causing hardship and that with assistance from the hardship fund they will be able to introduce changes that will ensure they will be able to manage longer term. The hardship fund is to assist short term only not to help a struggling business or organisation to survive a few extra months. The sums in the hardship fund could increase should government agree to roll monies forward to future years (as at the time of writing this report we have not had any information to suggest if this is being considered) and not everyone who has incurred a 12.5 percent increase or greater apply to the revaluation support relief fund. (This will be widely promoted and everyone will be contacted directly so it will only be those ratepayers who cannot qualify for an award due to State Aid funding limits or who just don't want or need to).

## Summary of Task and Finish Group's Recommendations for the Scheme

1. The revaluation support relief provides relief based on the following percentage calculations:

<b>Financial year</b>	<b>Percentage relief for those with RV under 200,000 where they have suffered a net increase of more than 12.5%</b>	<b>Percentage relief for those with RV over 200,000 where they have suffered a net increase of more than 12.5%</b>
2017/18	43%	15%
2018/19	21%	7%
2019/20	8.5%	3%
2020/21	0%	0%

2. A special hardship fund as detailed below is provided to help those who do not qualify for the above and is awarded on a case by case basis:



<b>Financial year</b>	<b>Total reserve fund</b>
2017/18	£44,000
2018/19	£22,000
2019/20	£10,000
2020/21	£15,000

3. Where Transitional, Charity, Small Business Rate and Rural Rate Relief is awarded, revaluation support relief will be given on the net amount payable.
4. Where a pub has been awarded the £1000 one year discount the revaluation relief is given in addition to the Revaluation Support Relief as this is a once off award and was intended to specifically aid pubs.

### **Summary of Task and Finish Group's Recommendations relating to working practices**

1. The new revaluation support relief is directly promoted to every ratepayer and can be applied for via telephone, online or in writing or a simple application form to ensure the award is accessible as possible and no-one is deterred from applying.
2. The award take up is monitored and the policy is reviewed in year to ensure the policy is effective and maximising the use of the grant.

# Agenda Item 9

## **Financial Strategy and Medium Term Financial Plan**

*Executive Portfolio Holder:* Peter Seib, Finance and Corporate Services  
*Director:* Ian Clarke, Support Services  
*Service Manager:* Catherine Hood, Finance Manager  
*Lead Officer:* Paul Fitzgerald, S151 Officer, Finance  
*Contact Details:* Paul.Fitzgerald@southsomerset.gov.uk or 01935 462226

### **Purpose of the Report**

1. The purpose of this report is to obtain approval for the proposed Financial Strategy and provide Members with information regarding the initial Medium Term Financial Plan estimates for the period 2018/19 to 2022/23.

### **Forward Plan**

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of September 2017.

### **Public Interest**

3. This report outlines South Somerset District Council's overall budget strategy setting out how the Council proposes to manage its financial position over the medium term (three to five years) and beyond. It also provides an up to date set of estimates and assumptions regarding service costs and income, the funding available and the savings required each year to 'balance the books' over the same period.

### **Recommendations**

4. That the District Executive:
  - a. Approve the Financial Strategy.
  - b. Note the current position and timetable for the Medium Term Financial Plan and Budget estimates.
  - c. Approve an allocation of £34,900 to passport Revenue Support Grant as Council Tax Reduction Grant funding to town and parish councils in 2018/19, and approve no passport of funds in 2019/20 when SSDC will no longer receive Revenue Support Grant income.

### **Background**

5. This report outlines the Financial Strategy, Capital Strategy, and latest Medium Term Financial Plan estimates. This report updates members of the current position and approach for achieving a balanced budget over the medium term.
6. The Financial Strategy outlines how the Council proposes to produce a balanced Medium Term Financial Plan (MTFP) over the medium to long-term. The MTFP at South Somerset spans three years with a further two years added to show the likely longer-term scenario. The Financial Strategy links the resources required to deliver the Council Plan, the Capital Strategy and the Council's other strategies and priorities as set out in the Council Plan agreed at Full Council in April 2017.

7. Providing an update of the MTFP estimates at this stage is important in providing a realistic and up to date assessment of the Council's financial forecasts to underpin important decisions in progressing the transformation of the council and other actions to close the Budget Gap in 2018/19 and beyond.
8. The forecasts have been reviewed and updated since February, reflecting as much as possible what is "known", and providing "best estimates" on areas of uncertainty. These will continue to be updated as new information emerges and further updates shared with Members at key points in the budget process.

## Financial Strategy Summary

9. The overall proposed financial strategy sets out to provide Members with options to respond to the ongoing and increasing financial challenges within the local government sector. This strategy builds on previous approaches agreed including the Efficiency Strategy agreed in 2016.
10. The key themes to the strategy can be summarised as:
  - a) **Challenging existing costs** estimates and assumed "unavoidable" cost increases
  - b) Ensuring **clear service priorities** that demonstrably align with corporate strategy and plans
  - c) Maximising operational efficiency through **transformation** of services and ways of working
  - d) Taking a more **commercial approach** and increasing income yield by 5% per year
  - e) Increasing the **income yield from financial investments** as part of a prudent treasury management approach
  - f) **Investing in property, energy and new services to generate additional income** that can be reinvested to maintain and improve services to our community
11. When Members approved the 2017/18 Budget the annual Budget Gap – the difference between projected costs and projected funding – was forecast to reach £2.7m by 2021/22, despite planned savings of more than £2m from Transformation.
12. In April 2017 the full Council revised both the budget and the estimated MTFP savings associated with Transformation – now £2.5m per year. These changes have now been incorporated, reducing the gap in the longer term.
13. In addition to uncertainty over mid-term inflation, the Queen's Speech did not clarify the future of local government finance including Government proposals for Business Rate Retention, the Fairer Funding Review or New Burdens. It is proposed that the Financial Strategy prepares the Council to be ready to respond to further changes in funding, and sets an additional savings target of £0.8m by 2022/23, in addition to the £2.7m updated Budget Gap Savings Target and £2.5m Transformation savings, to provide some comfort that new pressures can be met.
14. It is therefore proposed to set a Savings Target of £3.5m by 2022/23, compared to the 2017/18 Budget. This is in addition to the £2.5m of Transformation savings which are now included in the financial plan.

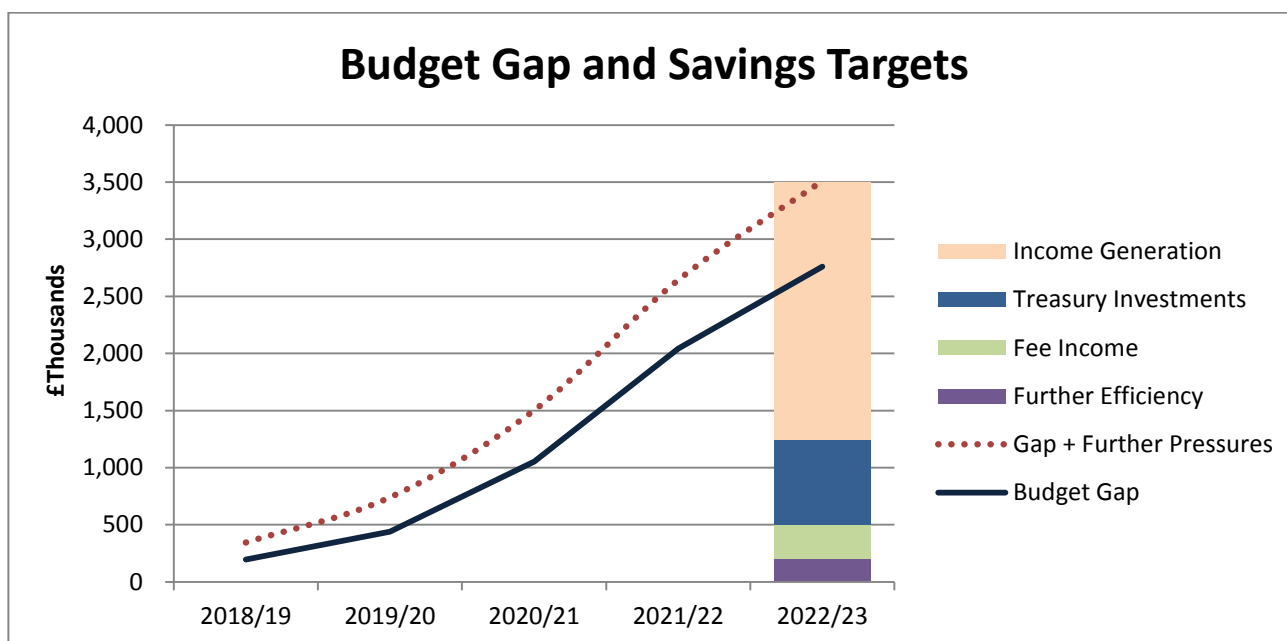
<b>Savings Target:</b>	£m
To meet projected Budget Gap	2.7
Flexibility to respond to new pressures (not yet identified)	0.8
<b>Savings Target for MTFP 2018/19 to 2022/23</b>	<b>3.5</b>
<i>Transformation Savings already included in the MTFP</i>	<i>2.5</i>
<i>Total Savings requirement including Transformation by 2022/23</i>	<i>6.0</i>

### Summary of Approach to Meet the Target

15. The table below summarises the planned approach to meeting the savings target within the plan. This shows the ambitious target is to meet the £6m required, with a reasonable expectation that at least £5.3m will be delivered within the timescale.

Plan to Meet Savings Target	Financial Strategy Target £k	Prudent Financial Plan Assumption £k
<i>Already included in the MTFP:</i> Transformation Business Case (approved April 2017)	<b>2,500</b>	<b>2,484</b>
<i>New Savings Target:</i>		
Income generation (excluding fee income and treasury) net of delivery capacity costs	2,250	2,000
Transformation – Additional non-staff efficiency savings	200	200
Fee income yield	300	250
Treasury management investments	750	400
Service prioritisation	TBC	TBC
Sub-total	<b>3,500</b>	<b>2,850</b>
Overall Total	<b>6,000</b>	<b>5,334</b>

16. The graph below presents an overview of the current MTFP budget gap with an indicative “guess” of potential further pressures, and how the financial strategy savings targets plan to cover this gap by 2022/23.



### Transformation – Operational Efficiency

17. A key part of the financial strategy is the realisation of operational efficiency savings through the implementation of the Future Operating Model, underpinned by investment in IT and ‘new ways of working’. The Transformation Business Case was updated in April 2017, with a revised net

savings target rising to £2,483,925 by 2019/20. This is a savings increase of £539,800 compared to the original business case.

18. The Transformation Business Case focusses on staff and IT costs. It is proposed to update the overall target for efficiency savings within the financial strategy, to reflect a robust review of base budgets required for transformed services. The current savings set out in the Transformation business case only reflect staff cost savings. However, it is envisaged non-staff costs (e.g. overheads, travel, consumables, etc.) can also be reduced to reflect more efficient service delivery. Defining what is in scope will be important, to avoid double-counting with the commercial property strategy, however this is considered a realistic target.

<b>Transformation Savings</b>	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>
Business Case - Cumulative Annual Savings	59,975	-565,025	-1,787,760	-2,483,925
Cumulative non-staff efficiency savings target (indicative)			-50,000	-200,000
Updated Cumulative Savings Target	59,975	-565,025	-1,837,760	-2,683,925

19. The Transformation Business Case report to Council in April 2017 identified updated estimated costs of transformation and the plans for funding these. There was a gap of £1.1m funding not immediately allocated from existing resources, with the proviso that this would be found from underspends and through future budget plans. This sum was reduced by £144k through use of 2016/17 revenue underspend, leaving £956k unidentified.
20. As part of the financial strategy and approach to budget setting for 2018/19 it is proposed that the residual £956k funding is secured prior to 2018/19, with resources identified through:
- Review of earmarked reserves and allocating surplus funds to transformation
  - Review of minimum general reserves balance and allocating surplus funds to transformation
  - Capturing in year savings / underspends in 2017/18
  - Any residual shortfall to be funded from the MTFP Support Fund reserve

## **Commercial Strategy and Income Generation**

21. The Income Generation Board (IGB) is a non-decision making board, comprising members and senior officers, and provides a ‘think tank’ to consider and debate broader income generation ideas including external investment proposals and partnership working. Initially this Board sought to identify opportunities to deliver savings rising to £800,000 per year by 2020. This target for savings has been superseded by a new Commercial Strategy and related income target – see below.
22. As part of the wider transformation agenda the Council is developing a more commercial approach which aims to provide a strategic approach to commercial investment opportunities as well as a general principle for the council to be more business-like across all services - whilst remaining focussed on our core purpose to support and deliver for our communities.
23. The Council (August 2017) approved a new Commercial Strategy for 2017 to 2021 supplemented with a Land and Property Strategy. The aim is to manage our assets and investments well, with
- Clear policies on property asset classification and purpose – income generating, strategic value, operational need
  - Achieving a balanced portfolio with risks effectively managed
  - A significant investment fund supported by effective governance and appraisal processes

- Appetite to support capital investment through borrowing with the principle that investment returns fund the financing costs and provide a net return after borrowing costs for reinvestment in services
- Invest in operational capacity to deliver the strategy

24. As shown above the aim of the commercial strategy is to provide a net increase in income in excess of £2m per year by 2020/21, with a 'stretch' target of £3m per year.

### **Service Prioritisation and Costs**

25. The overarching aim of the financial strategy is to protect services in the face of reductions in government funding. Transformation seeks to ensure the cost of delivering services is more efficient and customer focussed. It remains important that prioritisation of spending and investment in services reflects current and future Council priorities. Such prioritisation is secured through ensuring budget decisions are clearly linked to the Corporate Strategy and Council Plan.

26. Currently the estimates for service costs and income are based on using the current base budget, adjusted incrementally for:

- Inflationary pressures on employment and contract costs
- "Unavoidable" cost increases (incremental c£300k+ per year)
- Savings plans
- Investment income changes
- Revenue costs of capital investment

27. As we move through Transformation, and we make improvements to performance management, we will be getting a richer set of data on services, costs, users of services and the outcomes delivered for the costs. Whilst it will be useful to have an initial set of service priorities, we can use this process to challenge the services being provided, their priority and the required service level.

28. Currently no savings target is identified for services, with the assumption that overall resources will be refocussed / reprioritised in line with priorities each year with some tolerance for unavoidable cost increases.

### **Strategy for Service Income (Fees and Charges)**

29. It is proposed to adopt an approach to Fees and Charges where locally set fees are increased each year at least in line with inflation, with an overall target of 5% per year increase in yield. This is not the same as increasing charges by 5% per annum but can be achieved through inflation uplift on standard fees, growing income through increased demand, identifying new fees for discretionary services, and potentially identifying 'premium' pricing for 'premium' services.

30. Care will need to be taken as certain services can only seek to recover costs under regulations (e.g. licensing), and it is feasible that in cases where operational efficiencies are delivered then fees will potential stand still or reduce, rather than increase. The approach will ensure compliance with the relevant regulations.

31. Adopting this approach is likely to generate additional income compared to current budgets in the range of £200k to £300k.

## Strategy for Business Rates Retention (BRR)

32. The budget set for Non Domestic Rates has historically been set around the central Government baseline. The most prudent level to set NDR for any authority is at the safety net level as this is the guaranteed level of income for any authority. However this could lead to the true business rates funding position being understated and place greater pressure than necessary to make savings in services. The proposed strategy for business rates funding is therefore to make a prudent but realistic estimate of projected income taking into account anticipated growth, appeals and refunds, to provide a budget forecast, and set aside appropriate provisions and reserves to mitigate potential funding volatility.
33. The 2017 Revaluation of business rates creates further uncertainty and instability within the budget forecasts, with a process of “tariff adjustments” being implemented during 2017/18, 2018/19 and 2019/20 in an attempt to neutralise the impact of the Revaluation on funding for individual authorities. The precise figures will not be known until the Finance Settlement is announced in December; however reasonable estimates have been included at this stage.
34. The BRR budget estimates are summarised below (see Appendix A, part 2 for further information):

	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k
Memo: BRR Forecast Feb 2017 (adjusted for cost of collection*)	3,496.1	3,416.1	3,476.1	3,476.1	3,476.1	N/A
Updated Estimates September 2017	3,496.1	3,958.1	3,845.1	3,927.5	4,009.7	4,092.1
Difference		542.0	369.0	451.4	533.6	N/A

\*The 2017/18 BRR Budget includes Cost of Collection income of £223.9k however this is being moved to the Revenues service budget with effect from April 2018 for accounting purposes, separating it from the BRR estimates.

### Business Rates Funding Risks and Mitigation

35. As described above, there are a range of funding risks particularly in respect of appeals and other refunds. The Council maintains a Provision for Appeals and Refunds for the Collection Fund, which sets aside funding estimated to be needed to settle outstanding appeals. The balance of this provision at 1 April 2017 was £4.77m.
36. We also hold contingency funds in a BRR Volatility Reserve to help “smooth” any impact on the budget of excessive reductions in net BRR funding as well as accounting timing differences. The recommended strategy is to maintain a balance in this reserve approximately two times the difference between our BRR Budget and the Safety Net – therefore at least £0.85m based on 2018/19 provisional estimates (note that if the BRR Income budget increases so does the risk and therefore this minimum reserve balance would also need to be higher). The balance in this reserve at April 2017 was £1.31m.

### Business Rates Pooling

37. South Somerset, along with several other Somerset authorities, maintained a pooling arrangement for business rates retention funding during 2015/16 and 2016/17 financial years. The Pool was dissolved on 31 March 2017 as one of the authorities became part of a pilot area for 100% Retention. Due to ongoing concerns around funding risks (e.g. for NHS Trusts possible applications for mandatory relief), SSDC is no longer part of a pooling arrangement. This will be kept under review as the funding system and nature of risks and opportunities evolves.

## **Future Policy Direction – 100% Business Rates Retention and Fair Funding Review**

38. The Government has been consulting with local government regarding prospective changes to BRR with the implementation of 100% Retention and the Fair Funding Review. These were previously anticipated to be implemented in 2019/20 or 2020/21 however following the General Election in 2017, and omission of the Local Government Finance Bill from the Queen Speech in June 2017, it is unlikely this will be progressed within these timescales.
39. The MTFP is forecast on the assumption that the move to 100% will have a neutral effect on our Net Budget. In practice this will not be known with certainty until the system is fully implemented and the transfer of additional responsibilities is confirmed.

## **Strategy for New Homes Bonus and the Council's Revenue Support Fund**

40. New Homes Bonus (NHB) grant was introduced in 2011/12 with annual grant funding for district councils provided based on a sum equivalent to 80% of the national average annual council tax for every new home once occupied. This sum was payable for six years with an additional bonus of £280 (80% of £350) for every affordable home occupied. The grant aims to incentivise the delivery of housing growth, and is not ring-fenced.
41. The funding method changed in 2017/18, with the number of years 'rewarded' reducing from six to four by 2018/19. In addition no grant is now received on the first 0.4% of growth in housing, measured as 'Band D equivalents' (c.285 Band D equivalent in 2017/18). This is as a result of funding being redirected to social care within the local government sector. However the incentive currently remains strong and delivering housing growth will continue to generate substantial grant funding opportunities. Similarly, lower growth (and not meeting other conditions) could depress the amount of grant awarded each year. It is important that Members are aware of the risks.
42. The Council's current strategy is to utilise NHB income as mainstream funding for services, with a proportion deferred within an MTFP Support Fund earmarked reserve so that we can meet the requirement for NHB funding within the current year Budget plus a further two years. This approach is currently projected to be sustainable over the medium term, and provides some resilience to a reduction in grant in future. The grant projections will be finalised in November/December. We will need to keep a 'watching brief' on future policy changes, and adapt our plans if the funding levels change significantly in future.
43. It is proposed to review the strategy for using NHB in future, as the transformation programme delivers efficiency savings and income generation provides additional funding to sustain existing services. Future options could include one or a combination of the following:
  - Providing funding for service related priority investment
  - Providing funding for growth, regeneration and infrastructure investment
  - Further investment in income generation schemes
44. The current strategy reduces reliance on NHB within the MTFP in response to the changes in funding method introduced in 2017/18, with grant requirement reducing by £250k per year from 2019/20, from the current £3m per year to £2m per year by 2022/23.
45. Further detail regarding New Homes Bonus is included in Appendix A, part 3.



## Council Tax

46. The setting of Council Tax is determined each year at Full Council. In 2017/18 the Council has utilised the option given to shire districts of increasing Band D council tax by £5. Currently the Medium Term Financial Plan reflects a financial planning assumption that Council Tax charges will increase by £5 each year in 2018/19 and 2019/20, and subsequently by 1.99% per year.
47. The basic annual tax rate set by SSDC for 2017/18 is £157.48 (excluding the SRA – see below). Total Council Tax income raised in 2017/18 is £9.23m.
48. The Council has also decided to use additional precepting permissions to raise funds through Council Tax on behalf of the Somerset Rivers Authority (SRA) since 2016/17. In 2017/18 the amount collected by SSDC equates to a £1.85 Band D charge, and has raised £109.7k in additional Council Tax which is paid over to the SRA. This helps to fund investment in the 20 Year Flood Action Plan that was developed following the severe flooding experienced in Somerset in early 2014. The intention is for the Government to establish primary legislation to allow the SRA to raise funds via a council tax precept in its own right – at this stage the timing is uncertain and the MTFP assumes the current arrangement will continue for the foreseeable future.
49. The Executive will recommend future council tax rates in February each year.
50. Further details regarding Council Tax and Somerset Rivers Authority are included in Appendix A, parts 4 and 5 respectively.

## Capital Strategy

51. This Capital Strategy outlines how SSDC will utilise its capital resources to deliver the Council Plan and key strategies. SSDC held £29.8 million in capital receipts at the end of the 2016/17 financial year. However, once commitments are taken into account the authority has approximately £12.5 million unallocated to invest in new schemes. Possible bids will be reviewed to determine an approximate need for future investment.
52. The authority has a considerable requirement for capital resources through its Transformation, Regeneration, and Income Generation Boards. Some of these require considerable revenue costs to set up as well as capital. It is therefore important that SSDC is able to take up the offer of “Flexible Capital Receipts” to ensure that its ambitions can be delivered. Therefore the strategy will be as follows:-
  - Each project will be reviewed initially on a commercial basis so that schemes will be considered utilising “Internal Borrowing” (from £1m internal borrowing reserve) where bids can be made for loans that repay both capital and interest at PWLB rates.
  - External borrowing will be considered on a project by project basis for commercial projects so they can in effect be “stand alone” repaying the capital sum and surplus return to SSDC that can be reinvested in services. The Treasury Management Strategy currently allows up to £12m in external borrowing, and this will need to be reviewed to allow greater flexibility to support future schemes.
  - SSDC will utilise the flexibility in 2018/19 to use new receipts from property, plant and equipment disposals for one-off revenue expenditure if required in delivering the Council’s approved Efficiency Plan (this flexibility does not apply to ongoing service delivery costs)

- The level of capital receipts will be monitored to ensure that community and non-commercial projects that benefit residents and businesses can continue to be funded from available resources.
53. District Executive has delegated authority to approve the use of up to 5% of capital receipts in any one year (approx. £900k). Approvals beyond this sum must be agreed through full Council.
54. The Council has approved a fund of £15m to support income generation schemes, to be funded either through borrowing or capital receipts reserves. We are proposing to adopt a new way of assessing capital schemes as part of the commercialisation strategy, to determine and evaluate schemes in the context of different priorities e.g. income generating, strategic priority, and so on. This will help to steer investment decisions within an agreed strategic framework.

## **Treasury Strategy**

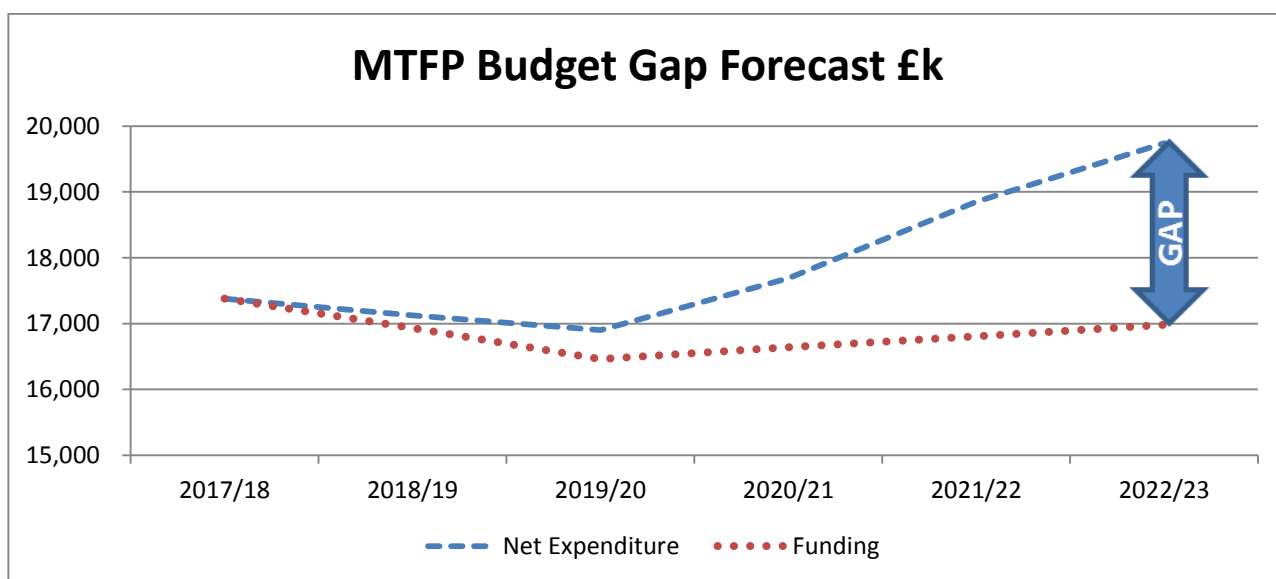
55. The Council sets its Treasury Management Strategy, Annual Investment Strategy and approach to servicing capital debt (“Minimum Revenue Provision”) annually and reviews this mid-year. The current strategy was agreed at Full Council in February alongside the Budget, and it is important to recognise that the financial strategies for revenue and capital resources and treasury management are intrinsically linked. The strategies reflect the ongoing challenging and uncertain economic times. The current economic outlook has several key treasury management implications:
- Investment returns are likely to remain relatively low during 2017/18 and in the near term
  - Borrowing interest rates are currently attractive and are likely to remain low for some time
  - Approaches to financing capital investment plans should consider the economic outlook e.g. any potential advantages in borrowing “in advance of need” (i.e. before planned capital spending is actually incurred).
56. This Strategy looks to reduce exposure to risk and volatility at this time of significant economic uncertainty by:
- Considering security, liquidity and yield, in that order
  - Considering alternative assessments of credit strength
  - Spreading investments over a range of approved counterparties
  - Only investing for longer periods to gain higher rates of return where there are acceptable levels of counterparty risk.
57. In the context of the wider Income Generation priority, the Council will work with its treasury advisors – Arlingclose – to identify options that seek to improve overall investment returns whilst maintaining compliance with the principles of the Prudential Code. The Council holds significant cash balances, and through reviewing the approach to investing there is the potential to use a wider range of investments with a different risk profile but with potential to increase yield whilst remaining true to the Treasury Strategy and Prudential Code. The strategy includes a potential projected increase of £400k per year.
58. The Council is also considering large-scale capital investment opportunities that seek to generate additional income to provide essential funds to sustain services in the face of ongoing reductions in government grant funding. This will require the Council to increase capital borrowing and plan for this as part of the treasury strategy moving forward.

## Strategy for Reserves and Balances

59. The approach to general reserves includes a regular review to ensure the level of reserves held are adequate in the context of the financial risks faced and other mitigations in place (e.g. provisions, earmarked reserves, insurances). We will maintain reserves at or above the assessed minimum requirement, and generally any planned use of reserves above the minimum will support one-off expenditure or “bridge” a gap for timing differences on planned delivery of savings / commercial income.
60. The current assessed minimum General Reserves requirement is £2.8m to £3.1m. This will be reviewed regularly to ensure the minimum balance reflects up to date and future risks. A significant element of this current minimum relates to contingency for transformation costs and business rates volatility. The uncommitted reserve balance is currently £3.4m (September 2017).
61. The council also holds earmarked reserves for specific purposes such as planned spending in future years and contingencies not included in general reserves. These will also be reviewed annually to ensure the requirement for the funds remains, with the potential for recommendations to release any surplus balances initially to fund transformation and then to general reserves, income generating investments, or alternative priorities.
62. Further information on reserves and balances is included in Appendix A, parts 6 and 7.

## Medium Term Financial Plan Summary and Budget Strategy

63. The following chart and table sets out a summary of the council’s latest forecasts of costs and funding. This has been updated since Council approved the 2017/18 Budget in February 2017, to reflect subsequent decisions by the Council and updated financial planning assumptions. The table provides a summary of the MTFP showing forecast costs and funding. The chart shows pictorially the familiar trend of recent years in terms of the financial challenge faced by this council – no different to the majority of councils across the Country – with costs rising and funding declining to give a significant “budget gap”.



### Initial Medium Term Financial Plan Estimates 2018/19 to 2022/23

	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k
<b>Base Budget</b>	<b>17,379.2</b>	<b>17,126.5</b>	<b>16,901.6</b>	<b>17,690.8</b>	<b>18,849.6</b>
Employment cost inflation	701.2	349.4	340.1	341.1	364.5
Inflation allowance on contracts	163.4	166.8	170.0	173.5	177.0
Unavoidable budget pressures	309.7	261.3	321.3	670.3	321.3
Investment Income	-40.0	0.0	0.0	0.0	0.0
Planned savings	-1,266.2	-1,009.1	-72.5	-20.2	0.0
Revenue effects of Capital Programme	103.1	6.7	30.3	-5.9	30.3
Once-off expenditure	-223.9	0.0	0.0	0.0	0.0
Other					
<b>Total Budget Requirement</b>	<b>17,126.5</b>	<b>16,901.6</b>	<b>17,690.8</b>	<b>18,849.6</b>	<b>19,742.6</b>
<b>Funding</b>					
Revenue Support Grant	-268.9	327.3	327.3	327.3	327.3
Less: Council Tax Reduction Scheme Grant to Town and Parish Councils	34.9	0.0	0.0	0.0	0.0
Rural Services Delivery Grant	-102.6	-133.4	-133.4	-133.4	-133.4
Transition Grant	0.0	0.0	0.0	0.0	0.0
New Homes Bonus Grant	-2,404.9	-2,715.8	-2,945.1	-2,924.0	-2,847.4
Add/Less: Revenue Support Fund Transfers	-595.1	-34.2	445.1	674.0	847.4
Business Rates Retention	-3,958.1	-3,845.1	-3,927.4	-4,009.7	-4,092.0
Collection Fund Surplus - Business Rates	0.0	0.0	0.0	0.0	0.0
Add/Less: BRR Volatility Reserve Transfers	0.0	0.0	0.0	0.0	0.0
Council Tax - SSDC	-9,636.8	-10,059.8	-10,405.1	-10,740.5	-11,084.0
Council Tax - SRA	-111.0	-112.4	-113.9	-115.3	-116.6
Less: Council Tax Paid to SRA	111.0	112.4	113.9	115.3	116.6
Collection Fund Surplus - Council Tax	0.0	0.0	0.0	0.0	0.0
<b>Sub-total: Funding</b>	<b>-16,931.5</b>	<b>-16,461.0</b>	<b>-16,638.6</b>	<b>-16,806.3</b>	<b>-16,982.1</b>
<b>Other Reserve Transfers</b>					
Other Earmarked Reserves	0.0	0.0	0.0	0.0	0.0
General Reserves	0.0	0.0	0.0	0.0	0.0
<b>Sub-total: Net Reserve Transfers</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Funding</b>	<b>-16,931.5</b>	<b>-16,461.0</b>	<b>-16,638.6</b>	<b>-16,806.3</b>	<b>-16,982.1</b>
<b>Budget Gap</b>	<b>195.0</b>	<b>440.6</b>	<b>1,052.2</b>	<b>2,043.3</b>	<b>2,760.5</b>
<b>Budget Gap Increase on Prior Year</b>	<b>195.0</b>	<b>245.6</b>	<b>611.6</b>	<b>991.1</b>	<b>717.2</b>

64. The plan shows net costs reducing over the next two years as transformation savings are delivered, but the gap between costs and funding continues to increase year on year demonstrating that Members need to take further action and decisions to close the gap.

### Key Assumptions

65. The MTFP is based on reasonable estimates of costs and income over the period of the plan. These include:

### *Service Costs and Income Assumptions*

- Staff pay awards are estimated at 2% annually – note Government has indicated its intention to limit civil service pay to 1% annually throughout the current Parliament.
- Inflation increases incorporated for main contractual arrangements (Waste partnership) and other smaller cost items.
- “Unavoidable” costs allowance included for items such as demographic growth reflected in demand for waste services, increased supported housing costs, etc.
- Employers pension contributions based on 16.1% of pay, based on the latest (2016) actuarial valuation.
- Pension Fund deficit recovery lump sum costs rising from £1.24m in 2017/18 to £1.83m in 2022/23, based on the latest 2016 actuarial valuation.
- Transformation savings of £0.565m included in 2017/18, rising to £1.84m in 2018/19 then £2.48m per year by 2019/20.

### *Funding Assumptions*

- Business Rates Retention (BRR) will be set in line with annual rating income forecasts, projected to grow in line with inflation.
- Neutral impact on funding / costs through the implementation of 100% BRR, projected to be implemented by 2019/20 (subject to confirmation by new Government post-2017 General Election).
- General Government Grant – Revenue Support Grant, Rural Services Delivery Grant, and Transitional Grant – remains in line with the four year settlement agreed with Government in 2016.
- NHB Grant is projected based linked to local estimates of housing growth and applying the latest grant methodology from Government issued as part of the final settlement for 2017/18. As explained later in this report, the reliance on NHB is currently £3m per year, and this is planned to reduce by £250k per year from 2019/20, with surplus grant deferred to mitigate potential further reductions to the grant available in future.
- Council tax is forecast based on an assumed £5 increase per year in 2018/19 and 2019/20. Government has indicated all shire districts will have the option to increase Band D tax by £5 per year in 2018/19 and 2019/20 however this is subject to annual announcement by the Secretary of State.

66. The following are not currently reflected in the MTFP estimates:

- Income generation targets – net income will be added to the MTFP as schemes are delivered
- Costs of delivering the new Commercial Strategy – which will aim to be self-funding as part of the net income generation target
- Revenue effects of approved capital schemes since February 2017 – with estimates of timing between financial years to inform detail to be included as part of detailed estimates preparation for 2018/19.

### **Financial Planning Risks and Uncertainty**

67. The main areas of risk and uncertainty within the financial plan are:

- a) Inflation – rising inflation could place additional pressure on pay settlements and prices for purchases of goods and services
- b) Delivery of savings – the MTFP includes transformation savings rising to £2.5m+ per year by 2019/20. If these savings are not realised either in total and/or within the planned timescales this will increase the budget gap

- c) Demand volatility – fluctuation in costs and income as a result of changes in demand led services and usage (e.g. planning, building control, parking, garden waste)
- d) Business Rates Retention – forecasts under BRR are notoriously difficult to predict with accuracy and can therefore change from year to year (e.g. for appeals, reliefs, etc.)
- e) 100% BRR and Fair Funding Review – following the General Election and subsequent Queen’s Speech the timing for progression of these developments are unknown; it is feasible this could be delayed by 1-2 years (or longer); and at this stage the MTFP assumes a neutral impact
- f) New Homes Bonus – the rate of funding has reduced with rolled up grant reducing to 5 years in 2017/18 and then 4 years from 2018/19 onwards, together with change introduced in 2017/18 with only growth above 0.4% attracting grant funding. Although no firm plans have been announced it is possible the Government could change the funding methodology in future. The Secretary of State has indicated he will review the 0.4% growth presumption annually to ensure the overall scheme remains affordable.
- g) Economic slowdown – impact on business rates and NHB as well as income from fees and charges

### **Council Tax Reduction Scheme and Funding Passported to Town and Parish Councils**

- 68. Members approved the current Council Tax Reduction Scheme in January 2017. The Finance and Legal Portfolio Holder will make recommendations to District Executive and Full Council of any proposed amendments to the 2018/19 scheme by the statutory deadline of the 31 January 2018.
- 69. The ‘cost’ of the Council Tax Reduction Scheme is reflected in the calculation of the Council Tax Base each year. The cost in 2016/17 (shared by the major preceptors) was £8.458m, and in 2017/18 is estimated to be £8.556m. Fluctuations in costs will influence the Collection Fund Surplus/Deficit estimates which will be reflected in the MTFP through the budget estimates process, and will also affect future tax base calculations.
- 70. Since the Government announced that all Revenue Support Grant will cease a letter has previously been sent to all of the Town and Parish Councils outlining that their grant will reduce to zero by 2019/20 to enable them to plan ahead for their budgets. The grant recommended to members to passport for 2018/19 is £34,900, which is a reduction of 67% – the same rate at which RSG is reducing next year – then zero in the following year. Members are requested to approve this final allocation to enable the Town and Parish Councils to have more certainty ahead of setting their budgets.

### **Summary Budget Timetable**

- 71. Below is a summary outline of the key budget reporting dates to Members.

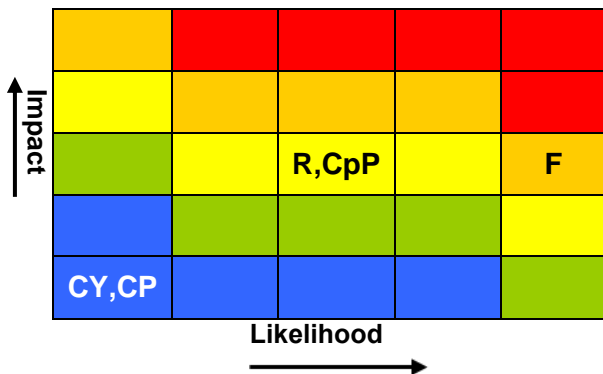
5 September 2017	Scrutiny	Financial Strategy and Initial MTFP Estimates
7 September 2017	District Executive	Financial Strategy and Initial MTFP Estimates
5 December 2017	Scrutiny	MTFP Update
7 December 2017	District Executive	MTFP Update
25 January 2018	Audit Committee	Treasury Management Strategy
30 January 2018	Scrutiny	Draft 2018/19 Revenue and Capital Budgets
1 February 2018	District Executive	Draft 2018/19 Revenue and Capital Budgets
22 February 2018	Council	2018/19 Revenue and Capital Budgets Council Tax Setting Treasury Management Strategy

## Financial Implications

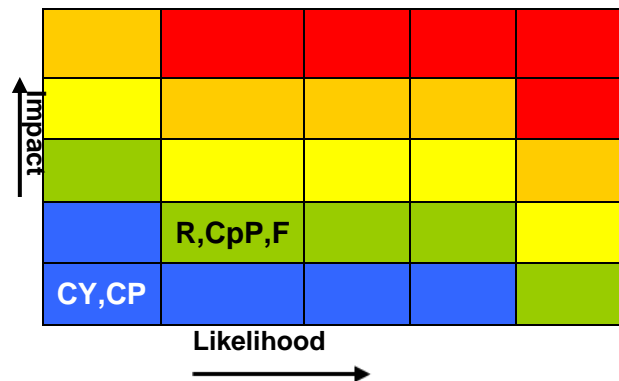
72. This is a finance focussed report with financial implications covered throughout.

## Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



## Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

## Council Plan Implications

73. The MTFs and MTFP incorporate costs, income and funding implications directly related to the delivery the Council's aims and priorities.

## Carbon Emissions and Climate Change Implications

74. Not applicable within this report.

## Equality and Diversity Implications

75. Not applicable within this report.

## Privacy Impact Assessment

76. There are no specific privacy impacts in respect of this report. Individual budget changes will be assessed and salient comments included in budget update reports through the budget setting process.

## **Background Papers**

77. The following reports may provide helpful background information in support of this report:

- Medium Term Financial Plan – 4 Year Settlement (Council 13 October 2016)
  - Revenue Budget 2017/18 – Medium Term Financial Plan and Capital Programme (Council 23 February 2017)
  - SSDC Transformation Programme (Council 20 April 2017)
-



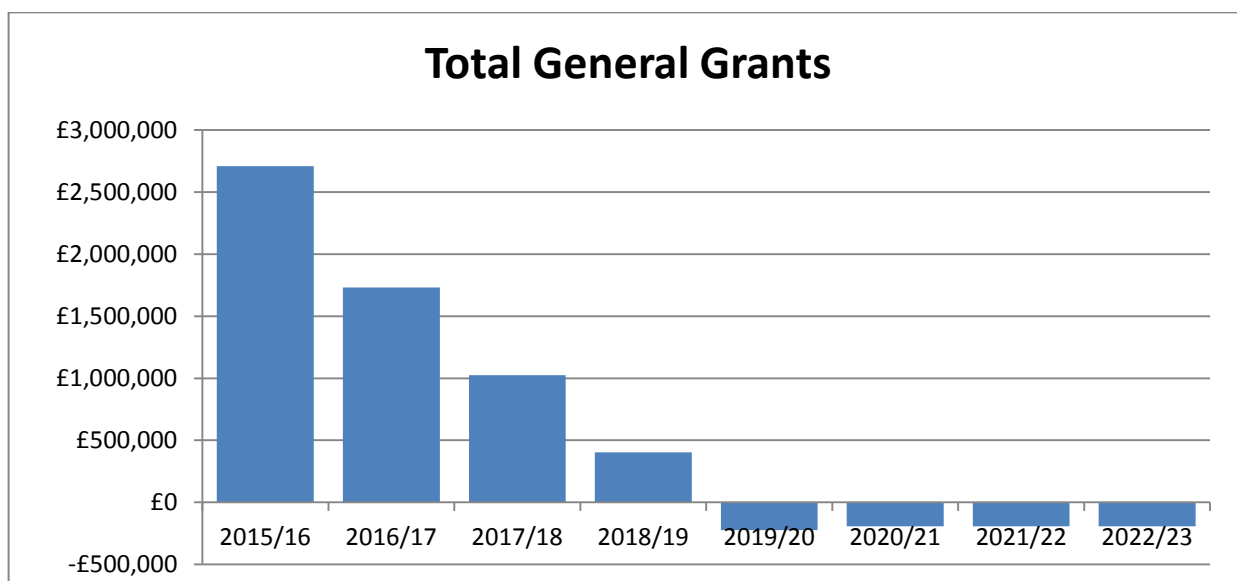
## Appendix A – Additional Funding Information

### 1 General Government Grant

- 1.1 Included within the four year funding settlement offered by government, commencing in 2016/17, are three general revenue grants.
- 1.2 The funding included in our MTFP, based on the four year confirmed allocations, are summarised in the table and graph below. This shows that grant has diminished over the period, and it is expected the small residual balance of rural services grant together with the “negative RSG” will be rolled into 100% Business Rates Retention if that is introduced.

#### General Revenue Grants

	2015/16 Actual £k	2016/17 Actual £k	2017/18 Actual £k	2018/19 Estimate £k	2019/20 Estimate £k
Revenue Support Grant	2,709.4	1,675.5	802.6	268.9	-327.3
Transitional Grant	0.0	57.2	57.0	0.0	0.0
Rural Services Delivery Grant	0.0	165.3	133.4	102.6	133.4
<b>Total General Grant Funding</b>	<b>2,709.4</b>	<b>1,898.0</b>	<b>993.0</b>	<b>371.5</b>	<b>-193.9</b>



### 2 Business Rates Retention (BRR)

- 2.1 The approach to funding for local authorities changed in April 2013 with a move away from needs-based formula grant to a system that incentivises growth. This included the introduction of Business Rates Retention (BRR). The BRR scheme is based on 50% of business rates collected in the local area being retained by the Local Authorities (40% District, 9% County, 1% Fire).
- 2.2 Each Local Authority was allocated a Business Rates Funding Baseline by the Government based on the level of funding needed under the previous formula scheme. Under BRR, SSDC receives a “standard share” of 40% of business rates collected. However, because this a greater amount than the Baseline “need” we pay a Tariff to redistribute part of the funds to Top Up authorities whose standard share is below the Baseline “need”. Any income collected over and above the baseline figure has a levy of 50% which is paid to Government with the other

50% retained by SSDC.

2.3 The BRR system is quite complex, and is susceptible to volatility and fluctuation based on inflation, rate of growth, appeals and refunds, bad debt, and changes in Government policy. Since the inception of the scheme the biggest area of risk, uncertainty and volatility relates to appeals and refunds. The Council mitigates this risk through a combination of:

- prudent forecasting through analysis of past trends, and future risks and opportunities
- budgeting for a provision for funding reductions in respect of appeals and refunds
- maintaining an earmarked “BRR Volatility” reserve to guard against large reductions in funding for services and also address accounting timing differences.

2.4 The initial BRR estimates for 2018/19 assume net funding growth is in line with inflation, with growth in rating income being offset by appeals and other reductions. These assumptions will be reviewed during the budget process in the autumn and reflected in budget estimates around October/November.

	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k
40% Share of BR Income		15,555.4	15,878.8	16,202.2	16,525.6	16,849.0
100% Renewable Energy BR Income		468.7	478.4	488.2	497.9	507.7
S31 Grant Income for Government-funded reliefs		1,163.9	1,187.0	1,215.2	1,243.3	1,271.5
Tariff		-13,077.6	-13,699.1	-13,978.1	-14,257.1	-14,536.1
Levy cost		-152.3	0.0	0.0	0.0	0.0
Safety Net income		0.0	0.0	0.0	0.0	0.0
<b>Net Retained Business Rates Funding</b>	<b>3,496.1</b>	<b>3,958.1</b>	<b>3,845.1</b>	<b>3,927.5</b>	<b>4,009.7</b>	<b>4,092.1</b>

### Managing risks including appeals and refunds

2.5 As referred above, business rates retained funding can be volatile. The Council monitors changes in rateable values which are reported by the Valuation Office Agency (VOA) on a weekly basis. The risk of reductions due to appeals and other decreases in rateable value is significant, and where a reduction is backdated this can lead to large cash refunds as well as reducing future revenues. The Council has set aside a Provision for such costs, which as at April 2017 has a balance of £4.77m. As at 31 March 2017 there were 720 unresolved appeals registered (related to 417 accounts, so in some cases multiple appeals on a single account) with the VOA comprising a total Gross Rateable Value of £33.97m.

2.6 Where BRR funding is over-estimated this creates a budget pressure, as it will lead to a deficit in the Business Rates Collection Fund. We will need to cover 40% of the deficit from the General Fund (with the rest being a cost to Government, the County Council and Fire Authority). We therefore set aside funds in a “BRR Volatility Reserve” to cover possible deficits and therefore mitigate sharp reductions in General Reserves or annual budgets. Our financial strategy aims to maintain the Volatility Reserve balance at around two times the funding risk between the BRR Budget and the Safety Net. This risk equates to approximately £1.9m in 2017/18, reducing to c£1.85m in 2018/19. The current projected reserve balance is £2.85m in 2018/19, which provides a comfortable level of contingency to mitigate future volatility. This balance will be regularly reviewed to ensure funding risks are kept to a minimum and the reserve balance is neither too high nor too low.

### Business Rates Smoothing Reserve Estimates

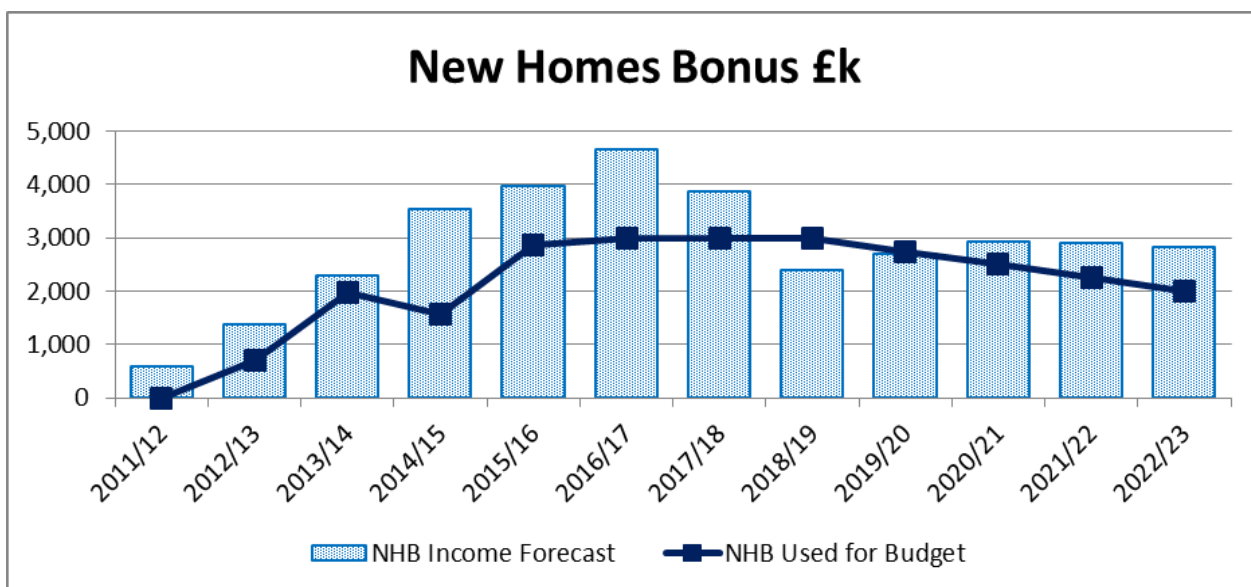
	2017/18 £k	2018/19 £k	2019/20 £k
Balance brought forward	1,309.1	2,855.4	2,855.4
Original budget transfers	1,546.3	TBC	TBC
Funding previous year deficit	0	TBC	TBC
<b>Balance carried forward</b>	<b>2,855.4</b>	<b>2,855.4</b>	<b>2,855.4</b>

### 3 New Homes Bonus

- 3.1 The New Homes Bonus (NHB) Grant is a grant from the Government which ‘rewards’ housing growth. The NHB Grant is not ring-fenced, which means the Council is free to decide how to use it based on local priorities.
- 3.2 The calculation of the grant has changed from 2017/18 onwards, as the government has redirected funding available under NHB to the Better Care Fund in support of social care funding pressures. The scheme was originally designed such that each year of housing growth attracted funding for 6 years; therefore in 2016/17 we received 6 years’ worth of grants. As part of the Finance Settlement for 2017/18 the Government confirmed this would reduce to 5 years’ worth in 2017/18 and then 4 years’ worth from 2018/19. In addition, no grant would be paid on the first 0.4% of Band D equivalent growth each year from 2017/18 onwards.
- 3.3 The current strategy is based on a proportion of NHB income being deferred in an “MTFP Support Fund” to ensure we have sufficient funding in hand to cover the current year plus two years of NHB funding needed for the MTFP.
- 3.4 The table below summarises the grant calculations and estimates from 2016/17 onwards, and the following graph also includes the total grant received since the NHB grant was introduced in 2011/12. This is then shown in graph format, followed by a projection of the MTFP Support Fund balances.

#### New Homes Bonus Projection

Allocations in respect of:	Actuals		Estimates				
	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23
2011/12	601.1						
2012/13	790.3						
2013/14	915.9	915.9					
2014/15	1,243.7	1,243.7					
2015/16	440.1	440.1	440.1				
2016/17	667.1	667.1	667.1	667.1			
2017/18		621.1	621.1	621.1	621.1		
2018/19			676.6	676.6	676.6	676.6	
2019/20				751.0	751.0	751.0	751.0
2020/21					896.4	896.4	896.4
2021/22						600.0	600.0
2022/23							600.0
<b>Total</b>	<b>4,658.2</b>	<b>3,887.9</b>	<b>2,404.9</b>	<b>2,715.8</b>	<b>2,945.1</b>	<b>2,924.0</b>	<b>2,847.4</b>
<b>NHB in MTFP</b>	<b>3,000.0</b>	<b>3,000.0</b>	<b>3,000.0</b>	<b>2,750.0</b>	<b>2,500.0</b>	<b>2,250.0</b>	<b>2,000.0</b>



#### MTFP Support Fund Forecast

	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k
Balance Brought Forward	6,396	5,776	5,181	5,147	5,592	6,266
NHB Projected Income	3,888	2,405	2,716	2,945	2,924	2,847
Sub-total	10,284	8,181	7,897	8,092	8,516	9,113
Allocated to Budget	-3,000	-3,000	-2,750	-2,500	-2,250	-2,000
Allocated to Transformation	-1,508					
Balance Carried Forward	5,776	5,181	5,147	5,592	6,266	7,113

- 3.5 Based on the current strategy the Fund would need to maintain a balance carried forward of at least £4m (2 x £2m) from 2022/23. This would indicate the potential for surplus funds in future years, however this is dependent on several factors and not certain at this stage.

#### 4 Council Tax Base and Council Tax Band D Rate

- 4.1 The Council Tax Base on which the Council generates its local tax revenue is the sum residential properties expressed as Band D equivalents. It reflects adjustments for reductions including Single Person Discount and Local Council Tax Support as well as assumptions around net growth and collection rates. The Tax Base is increasing each year by between approximately 1% and 1½%. The actual tax base for 2018/19 will be determined in December 2017.

- 4.2 The Council Tax Base for 2017/18 is 59,313.04 Band D Equivalent properties. The 2017/18 Band D tax rate is £157.48:

SSDC Basic Tax	£155.63
SRA precept	£1.85
Band D Tax Rate	£157.48

- 4.3 Each 1% increase equates to approximately £93k additional income.
- 4.4 A £5 increase in 2018/19 equates to 3.18%, and together with the tax base increase has added £300k additional income within the current MTFP estimates for 2018/19.

- 4.5 The following table summarises the projected Council Tax Base and income budget estimates within the Plan (including SRA precept).

	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
<b>Council Tax Base</b>					
Increase %	1.15%	1.24%	1.39%	1.19%	1.16%
Increase in Band D Equivalentents	681.0	742.5	845.3	731.2	725.3
Tax Base	59,994.0	60,736.5	61,581.8	62,313.0	63,038.3
<b>Council Tax Rate</b>					
Increase % (MTFP assumption)	3.18%	3.08%	1.99%	1.99%	1.99%
Increase £	5.00	5.00	3.33	3.40	3.47
Band D Rate £	162.48	167.48	170.81	174.21	177.68
<b>Council Tax Income</b>					
Increase due to Tax Base £k	107.2	120.7	141.7	124.9	126.1
Increase due to Tax Rate £k	300.0	303.7	205.1	211.9	218.7
Total Council Tax Precept £k	9,747.8	10,172.2	10,519.0	10,855.8	11,200.6

## 5 Somerset Rivers Authority Precept

- 5.1 The Somerset Rivers Authority (SRA) was created following the severe flooding that hit the area in the winter of 2013/14. It has developed a 20 Year Flood Action Plan which will target long term investment to develop improved flood prevention and resilience when flooding is unavoidable. In 2015/16 through a combination of Government funding and contributions from local authorities in Somerset, the SRA had a budget of £2.7m to progress the Action Plan. In future the SRA will be able to set its own Precept to raise Council Tax income to help deliver the Plan.
- 5.2 In 2016/17 the County Council and the five district Councils in Somerset had the opportunity to raise additional council tax funding, based on 1.25% of the 2015/16 Council Tax rate, to raise funding the Somerset Rivers Authority pending its establishment as a precepting body. For SSDC this equates to £1.85 a year on a Band D.
- 5.3 In 2017/18 the Council Tax raised and passed on to the SRA is £109.7k.
- 5.4 The overall opportunity across Somerset aims to raise £2.7m in funding for the SRA in 2017/18. The SRA Board met on 8 February 2017 to consider and approve its 2017/18 budget – see <http://www.somersetiversauthority.org.uk/about-us/board-meetings-and-papers/> – where the £2.7m has been prioritised to progress the five key workstreams within Somerset’s 20 Year Flood Action Plan. These are:
- dredging and river management
  - land management (including natural flood management)
  - urban water management
  - resilient infrastructure
  - building local resilience
- 5.5 More can be read about the approach the SRA has taken to developing its programme of works for 2017/18 at

<http://www.somersetiversauthority.org.uk/about-us/board-meetings-and-papers/sra-board-meeting-16-january-2017/>

5.6 The Government has previously committed to implementing the necessary legislation to allow the SRA to precept in its own right. The timing of this is uncertain, and the MTFP assumes the current arrangements remain in place for the foreseeable future.

## 6 General Reserves

6.1 The Council's uncommitted General Reserves balance as at 1 April 2017 is £5,078k. This is above the recommended minimum balance provided some resilience to unforeseen costs if required in the short term.

<b>General Reserves</b>	<b>Estimated Balance £k</b>
Balance 1 April 2017	5,078
Area & Economic Development Balances	(124)
Support for 2017/18 Budget	(789)
2016/17 Carry forwards	(246)
Previously approved commitments not yet drawn from reserves	(103)
2016/17 net underspend to Transformation Reserve	(145)
Utilisation of general fund for transformation	(231)
Estimated overspend at 30 <sup>th</sup> June 2017	(122)
<b>Estimated uncommitted balance March 2018</b>	<b>3,318</b>

## 7 Earmarked Reserves

7.1 In addition to General Reserve balances, the Council holds funds in a range of Capital Reserves and Revenue Earmarked Reserves. These are held for a range of purposes including:

- Grants received in advance of spending
- Capital receipts not yet spent
- Revenue budgets set aside where spending is planned in future years
- Contingencies for specified financial risks (such as business rates volatility)

7.2 The following table summarises the main capital reserves and earmarked reserves held as at 31 March 2017.

<b>Useable Reserves</b>	<b>Balance as at 31/3/17 £k</b>
Useable Capital Receipts	29,053
Internal Borrowing Reserve	799
Capital Reserve	1,244
Cremator Replacement Capital Reserve	651
Internal Borrowing Repayments	23
Election Reserve	149
Risk Management Reserve	11
Wincanton Sports Centre Reserve	21
Local Plan Enquiry Reserve	71
Yeovil Athletic Track Repairs Fund	125
Planning Delivery Reserve	26
Bristol to Weymouth Rail Reserve	11
Local Authority Business Growth Initiative Reserve	27

<b>Useable Reserves</b>	<b>Balance as at 31/3/17 £k</b>
Yeovil Vision	120
IT Replacement Reserve	17
Insurance Fund	53
Transformation Reserve	782
Treasury Management Reserve	100
Local Plan Implementation Fund	125
Revenue Grants Reserve	672
MTFP Support Fund	6,624
Council Tax/Housing Benefits Reserve	675
Closed Churchyards Reserve	3
Health Inequalities	31
Deposit Guarantee Claims Reserve	6
Park Homes Replacement Reserve	165
Planning Obligations Admin Reserve	35
LSP	24
Artificial Grass Pitch Reserve	85
Business Support Scheme	158
Infrastructure Reserve	932
NNDR Volatility Reserve	1,309
Ticket Levy Reserve	6
Waste Reserve	230
Community Housing Fund	263
<b>Balance March 2018</b>	<b>44,626</b>

# Agenda Item 10

## **District Executive Forward Plan**

*Executive Portfolio Holder:* Ric Pallister, Leader, Strategy and Policy  
*Director:* Ian Clarke, Director - Support Services  
*Lead Officer:* Ian Clarke, Director – Support Services  
*Contact Details:* [ian.clarke@southsomerset.gov.uk](mailto:ian.clarke@southsomerset.gov.uk) or (01935) 462184

### **1. Purpose of the Report**

1.1 This report informs Members of the current Executive Forward Plan, provides information on Portfolio Holder decisions and on consultation documents received by the Council that have been logged on the consultation database.

### **2. Public Interest**

2.1 The District Executive Forward Plan lists the reports due to be discussed and decisions due to be made by the Committee within the next few months. The Consultation Database is a list of topics which the Council's view is currently being consulted upon by various outside organisations.

### **3. Recommendations**

3.1 The District Executive is asked to approve the updated Executive Forward Plan for publication as attached at Appendix A

### **4. Executive Forward Plan**

4.1 The latest Forward Plan is attached at Appendix A. The timings given for reports to come forward are indicative only, and occasionally may be re scheduled and new items added as new circumstances arise.

### **5. Background Papers**

5.1 None.



## Appendix A - SSDC Executive Forward Plan

Date of Decision	Decision	Portfolio	Service Director	Contact	Committee(s)
October 2017	Consideration of Local Plan Review Issues and Options Document for Consultation	Portfolio Holder for Strategic Planning (Place Making)	Director - Service Delivery	Jo Wilkins, Senior Policy Planner	District Executive
October 2017	Transformation Project Progress Report	Portfolio Holder for Strategy and Policy	Chief Executive	Alex Parmley, Chief Executive	District Executive
October 2017	Authority Monitoring Report	Portfolio Holder for Strategic Planning (Place Making)	Director - Service Delivery	Jo Wilkins, Senior Policy Planner	District Executive
October 2017	Community Right to Bid - 6 monthly update	Portfolio Holder for Strategic Planning (Place Making)	Area Development Manager (North)	David Crisfield, Third Sector and Equalities Co-ordinator	District Executive
October 2017	Floating Support for Vulnerable Individuals in South Somerset - update on project delivered by Yeovil 4 Family and SSDC Housing & Welfare Team	Portfolio Holder Leisure & Culture	Director - Service Delivery	Alice Knight, Welfare & Careline Manager	District Executive
October 2017	Service Income Team Update Report	Portfolio Holder for property, Climate Change and Income Generation	Director - Commercial Services & Income Generation	Chris Cooper, Streetscene Manager	District Executive

Date of Decision	Decision	Portfolio	Service Director	Contact	Committee(s)
October 2017 October 2017	Community Governance Review Request from Barwick Parish Council	Portfolio Holder for Area West	Director - Support Services	Angela Cox, Democratic Services Manager	District Executive South Somerset District Council
November 2017	Presentation by SPARK (Voluntary and Community Action)	Portfolio Holder Leisure & Culture	Assistant Directors (Communities)	David Crisfield, Third Sector and Equalities Co-ordinator	District Executive
November 2017	Council Tax and Housing Benefit fraud report	Portfolio Holder for Finance and Legal Services	Director - Support Services	Ian Potter, Revenues and Benefits Manager	District Executive
November 2017	Capital & Revenue Budget monitoring reports for Quarter 2	Portfolio Holder for Finance and Legal Services	Director - Support Services	Catherine Hood, Finance Manager	District Executive
November 2017	Yeovil Town Centre Markets	Councillor David Recardo	Communities Lead	Natalie Fortt, Area Development Lead South	District Executive
November 2017	Confirmation of Neighbourhood Plan for Wincanton	Portfolio Holder for Strategic Planning (Place Making)	Director - Service Delivery	Jo Wilkins, Senior Policy Planner	District Executive
December 2017	CIL Governance - Policy to decide how funds are allocated	Portfolio Holder for Strategic Planning (Place Making)	Director - Service Delivery	Martin Woods, Director (Service Delivery)	District Executive

Date of Decision	Decision	Portfolio	Service Director	Contact	Committee(s)
December 2017	Quarterly Performance and Complaints Monitoring Report	Portfolio Holder for Strategy and Policy	Director - Service Delivery	Anna-Maria Lenz, Performance Officer	District Executive
December 2017	Update on the Medium Term Financial Strategy / Plan	Portfolio Holder for Finance and Legal Services	Director - Support Services	Paul Fitzgerald, Section 151 Officer	District Executive
December 2017	Update on the Yeovil Crematorium Refurbishment	Portfolio Holder for Area South	Director - Commercial Services & Income Generation	Alasdair Bell, Environmental Health Manager	District Executive
January 2018	Transformation Project Progress Report	Portfolio Holder for Strategy and Policy	Chief Executive	Alex Parmley, Chief Executive	District Executive
February 2018 February 2018	2018/19 Budget and Medium Term Financial Strategy	Portfolio Holder for Finance and Legal Services	Director -Support Services	Paul Fitzgerald, Section 151 Officer	District Executive South Somerset District Council
March 2018	Quarterly Performance and Complaints Monitoring Report	Portfolio Holder for Strategy and Policy	Director - Service Delivery	Anna-Maria Lenz, Performance Officer	District Executive
April 2018	Transformation Project Progress Report	Portfolio Holder for Strategy and Policy	Chief Executive	Alex Parmley, Chief Executive	District Executive

Date of Decision	Decision	Portfolio	Service Director	Contact	Committee(s)
July 2018 July 2018	Approval of South Somerset Early Review Local Plan Submission Plan	Portfolio Holder for Strategic Planning (Place Making)	Director - Service Delivery	Jo Wilkins, Senior Policy Planner	District Executive  South Somerset District Council

# Agenda Item 11

## **Date of Next Meeting**

Members are asked to note that the next scheduled meeting of the District Executive will take place on **Thursday, 5<sup>th</sup> October 2017** in the Council Chamber, Council Offices, Brympton Way, Yeovil commencing at 9.30 a.m.