

## Shadow Council

Thursday, 21st February, 2019, 6.00 pm

The Shire Hall - Shuttern, Taunton

## Somerset West and Taunton

Taunton Deane and West Somerset Councils  
working together

**Members:** J Adkins, M Adkins, T Aldridge, T Beale, P Berry, J Blatchford, C Booth, R Bowrah, W Brown, N Cavill, S Coles, W Coombes, D Cossey, D Durdan, K Durdan, M Edwards, H Farbahi, M Floyd, J Gage, E Gaines, A Govier, A Gunner, R Habgood, T Hall, R Henley, C Herbert, C Hill, M Hill, J Horsley, J Hunt, G James, R Lees, S Lees, L Lisgo, D Mansell, S Martin-Scott, I Morrell, S Nicholls, R Parrish, H Prior-Sankey, J Reed, R Ryan, F Smith, F Smith-Roberts, V Stock-Williams, P Stone, A Sully, N Townsend, C Tucker, J Warmington, P Watson, D Webber, D Wedderkopp, J Williams, G Wren, I Aldridge, B Allen, M Chilcott, R Clifford, H Davies, M Dewdney, S Dowding, S Goss, A Hadley, N Hawkins, B Heywood, I Jones, A Kingston-James, R Lillis, B Maitland-Walker, K Mills, C Morgan, P Murphy, N Thwaites, J Parbrook, P Pilkington, S Pugsley, R Thomas, A Trollope-Bellew, K Turner, T Venner, D Westcott and R Woods

### Agenda

1. **Apologies.**
2. **Minutes of the previous meeting of the Shadow Council held on 17 December 2018.** (Pages 3 - 18)
3. **Declarations of Interest.**

To receive and record any declarations of disclosable pecuniary interests or personal or prejudicial interests in respect of any matters included on the agenda for consideration at this meeting.  
(The personal interests of Councillors and Clerks of Somerset County Council, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes.)
4. **Public Participation.**

The Chairman to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

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| 5. <b>Motion to declare a Climate Emergency. To consider a motion proposed by Councillor Dave Mansell, seconded by Councillor Federica Smith-Roberts (attached). An assessment of the implications for the Council should the motion be carried will also be attached (to follow)</b> | (Pages 19 - 22)   |
| 6. <b>Housing Revenue Accounts (HRA) Budget Estimates 2019/20. Report of The Interim Head of Financial Services and Deputy s151 Officer of Taunton Deane Borough Council and West Somerset Council. (attached).</b>   | (Pages 23 - 40)   |
| 7. <b>General Fund Revenue Budget and Capital Estimates 2019/20. Report of The Interim Head of Financial Services and Deputy s151 Officer of Taunton Deane Borough Council and West Somerset Council. (attached).</b>   | (Pages 41 - 74)   |
| 8. <b>Capital Strategy 2019/20. Report of The Interim Head of Financial Services and Deputy s151 Officer of Taunton Deane Borough Council and West Somerset Council. (attached).</b>  | (Pages 75 - 86)   |
| 9. <b>Treasury Management Strategy Statement 2019/20. Report of The Interim Head of Financial Services and Deputy s151 Officer of Taunton Deane Borough Council and West Somerset Council. (attached).</b>  | (Pages 87 - 106)  |
| 10. <b>Investment Strategy 2019/20. Report of The Interim Head of Financial Services and Deputy s151 Officer of Taunton Deane Borough Council and West Somerset Council. (attached).</b>  | (Pages 107 - 114) |
| 11. <b>Council Tax Setting 2019/20. Report of The Interim Financial Services Manager and Deputy S151 Officer (attached)).</b>   | (Pages 115 - 132) |
| 12. <b>Business Rates Discretionary Relief Policy. Report of The Principal Revenues and Debt Recovery Officer. (attached).</b>  | (Pages 133 - 168) |
| 13. <b>North Taunton Woolway Project. Report of The Lead Specialist - Place. (attached).</b>  | (Pages 169 - 200) |

Appendix B of the following item is likely to be considered after the exclusion of the press and public because of the likelihood that exempt information would otherwise be disclosed relating to the Clause set out below of Schedule 12A of the Local Government Act 1972. Paragraph 3 – Information relating to financial or business affairs.

## **Somerset West and Taunton Shadow Council**

At a meeting of Somerset West and Taunton Shadow Council held at Shire Hall, Shuttern, Taunton on 17 December 2018 at 6 p.m.

Present: Councillor J Parbrook (Chair)  
Councillors I Aldridge, P Berry, J Blatchford, C Booth, R Bowrah, N Cavill, M Chilcott, M Dewdney, S Dowding, E Gaines, A Gunner, R Habgood, A Hadley, M Hill, J Hunt, G James, L Lisgo, S Martin-Scott, P Murphy, R Parrish, P Pilkington, S Pugsley, R Ryan, F Smith, F Smith-Roberts, A Sully, N Townsend, J Warmington, P Watson, D Wedderkopp, D Westcott, J Williams and G Wren.

Officers: Bruce Lang (Assistant Chief Executive and Monitoring Officer), Christine Fraser (Head of Function – Performance and Governance), Lesley Dolan (Business Services Manager, SHAPE Legal Partnership), Paul Fitzgerald (Strategic Finance Advisor and Section 151 Officer), Andrew Stark (Interim Finance Manager), Chris Hall (Localities Manager), Dean Emery (Principal Revenues and Debt Recovery Officer), Steve Perkins (Senior Debt and Recovery Officer), Mark Antonelli (Principal Benefits Officer), Jenny Collins (Senior Revenues Officer), Marcus Prouse (Specialist – Governance and Democratic) and Andrew Randell (Democracy and Governance Case Manager)

Anne Elder – Chairman of Taunton Deane Borough Council's Standards Advisory Committee

Ian Partington – Chairman of the Joint Independent Remuneration Panel (JIRP)

### **1. Apologies for Absence**

Councillors T Aldridge, B Allen, T Beale, H Davies, T Davies, M Edwards, H Farbahi, A Govier, T Hall, N Hawkins, C Herbert, B Heywood, I Jones, R Lees, S Lees, I Morrell, H Prior-Sankey, S Pugsley, J Reed, V Stock-Williams, R Thomas, N Thwaites, A Trollope-Bellew, C Tucker, K Turner and R Woods.

### **2. Minutes**

The minutes of Shadow Council held on 15 October 2018 and Special Shadow Council held on 19 November 2018, copies having been sent to each Member, were signed by the Chair.

### **3. Declarations of Interest**

Councillor J Hunt declared a personal interest as a Member of Somerset County Council.

Councillors E Gaines, J Hunt, G James, P Murphy, J Parbrook, J Warmington, and D Westcott all declared personal interests as Members of Town or Parish Councils.

All Councillors declared a personal interest in respect of Agenda Item 5 – Interim Report of the Joint Independent Remuneration Panel on Preparation of a Draft Member’s Allowance Scheme for Somerset West and Taunton Council.

Councillors Cavill, Chilcott, Dowding, Gaines, Ryan and Williams declared a prejudicial interest in respect of Agenda Item 6 and left the room for the duration of that Item.

**4. Public Participation**

No member of the public had requested to speak.

**5. Interim Report of the Joint Independent Remuneration Panel on Preparation of a Draft Members’ Allowances Scheme for Somerset West and Taunton Council**

Considered report previously circulated, concerning a proposed Members Allowances Scheme for the new Somerset West and Taunton Council (SWTC).

The Joint Independent Remuneration Panel’s (JIRP) Chair, Ian Partington, was in attendance at the meeting to give Members a brief perspective of the Panel’s work to date and to provide further clarification in response to any questions raised.

The endorsement of the recommendations in regard to the Basic Allowance (BA) and the approach for moving forward on the Special Responsibility Allowances (SRA) would ensure that the overall timetable could be kept on course. Clause 10(5) of the Somerset West and Taunton (Local Government Changes) Order 2018 required that the Shadow Authority had to formulate proposals for the scheme of members’ allowances to be adopted by the SWTC.

Under the relevant regulations, a Council had to appoint an independent panel to make recommendations on a scheme of members’ allowances for consideration by the Council. As members were aware, Taunton Deane Borough Council and West Somerset Council used a JIRP (which also served Mendip District Council and Somerset County Council).The JIRP had therefore been requested to commence work to formulate proposals for consideration by the Shadow Council. The Council could accept, reject or amend any of the JIRP’s recommendations. In effect the JIRP’s role was to advise the Council rather than tell it what to do.

The JIRP was aware of the timetable which effectively required the preparation of a draft scheme to be prepared in time for consideration by the Shadow Authority before the end of March 2019. The JIRP had therefore

produced an interim report which contained recommendations regarding the BA as well as a proposed approach to preparation of an SRA scheme. Full recommendations would be forthcoming for the SRA scheme when the Shadow Council had completed more work on its proposals for the decision making structure of the SWTC.

**Resolved** that:-

- (1) The recommendations of the Joint Independent Remuneration Panel be endorsed with regard to the Basic Allowance (BA) for Councillors of the Somerset West and Taunton Council as follows:-
  - The BA be set at £4,950 pa for 2019-2020;
  - The BA be inflation-indexed annually by using the Consumer Price Index for a four year period;
  - IT financial support should be regarded as an incidental cost and therefore integral to the BA and not recompensed separately; and
  - The BA be reviewed after one year by the Joint Independent Remuneration Panel.
  
- (2) The approach suggested by the Joint Independent Remuneration Panel in terms of recommending a Special Responsibility Allowance (SRA) Scheme for the new Council be endorsed. This was that :-
  - The recommended SRAs could not yet be determined exactly – this work would be completed later once the relevant posts, chairmanships and roles had been established; and
  - The Joint Independent Remuneration Panel was of the view that the range of values for the main positions attracting a representative SRA could be indicated at this stage. The relevant ranges were contained in Table K within Appendix A of the report. Based on the evidence considered by the Panel, it was confident in its conclusion that the final SRA recommendations would broadly be contained within the specified ranges.
  
- (3) It be noted that the Panel would bring forward a further report in March 2019 to include a complete Scheme of Members' Allowances proposals, to include recommendations for:-
  - A full SRA Scheme in so far as it was possible to develop based on the information made available to the Panel;
  - Travel and Subsistence Allowances;

- A Carers' Allowance;
- A list of 'approved duties' for Members' travel and subsistence claims; and
- The rules and procedures of the new Scheme.

## 6. Council Tax Charges – Empty Properties and Second Homes

Considered report previously circulated, concerning Council Tax charges on empty properties and second homes.

From 1 April 2013, billing authorities in England had taken on additional powers over certain Council Tax discounts. 'Unoccupied and substantially unfurnished' properties could receive a discount of between 0% and 100% off their Council Tax. Vacant properties and those undergoing 'major repair work' or 'structural alterations could receive a discount of between 0% and 100%, for a maximum of 12 months.

Local authorities in England could also set an 'empty homes premium' for long-term empty properties. Currently, properties that had been unoccupied and substantially unfurnished for over two years could be charged up to 150% of the normal liability.

New legislation under the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill was progressing through Parliament which would permit English local authorities the discretion to charge a Council Tax premium of up to 100% on 'long-term empty dwellings' for those properties which remained empty between two and five years, between five and ten years 200% from April 2020 and 300% from 2021 to properties empty for more than ten years. This was expected to come into effect from 1 April 2019.

Somerset West and Taunton Council would require a unified approach as to how it applied local discretion on Council Tax liability as there were differences in the approach currently in place between Taunton Deane Borough Council and West Somerset Council.

The proposals outlined below examined differences in the current position and sought to provide a solution acceptable for the new Somerset West and Taunton Council from 1 April 2019.

### **Unoccupied and Unfurnished properties, empty for less than two years**

There were three main reasons why such discounts were awarded:-

- Property was being sold and the owner had moved out;
- Property had been purchased and the new owner had not yet moved in; and
- The property was empty between tenancies.

Taunton Deane had awarded a discount of 100% for three months, followed by full Council Tax becoming payable. West Somerset Council provided the same 100% discount, but for one month

only. Before 1 April 2013, the Government had prescribed a six-month exemption.

It was proposed Somerset West and Taunton Council should allow a discount of 100% for three months. This would reduce the exemption previously set by the Government by half thereby providing an incentive for prompt reoccupation, but it still allowed new homeowners or tenants a reasonable time to occupy the property or for landlords to make appropriate repairs and seek new tenants.

In allowing a three-month discount the Council would provide a consistency in the rules set by Government for business premises, where no charge applied for the first three months a property was empty.

### **Unoccupied and Unfurnished properties, empty for more than two years**

Currently both Taunton Deane and West Somerset Council charged a premium of 50% extra Council Tax on such properties (150% Council Tax payable). From 1 April 2019, the Government was expected to permit local authorities in England the discretion to charge a Council Tax premium of up to 100% on 'long-term empty dwellings'.

It was proposed Somerset West and Taunton Council took advantage of this new flexibility and implemented a premium of 100% (thereby charging Council Tax at 200%) on properties that had been empty and unfurnished for more than two years from April 2019, a premium of 200% from April 2020 for properties kept empty between five and ten years and 300% for more than ten years from 2021.

This would provide additional income to the new Council as well as encouragement to homeowners to bring the property back into use, thereby reducing those properties falling into disrepair and stimulating the housing market.

**Resolved** that it be agreed that:-

- (1) Class C Discount – with effect from 1 April 2019 unoccupied and unfurnished properties would have a 100% discount for a maximum of three months;
- (2) Long Term Empty Properties - In line with new legislation coming into effect from 1 April 2019, to apply the maximum 100% premium to properties remaining empty for more than two years, a premium of 200% from April 2020 for properties kept empty between five and ten years and 300% for more than ten years from 2021;
- (3) Class D Discount – With effect from 1 April 2019, properties which were unfurnished and undergoing structural alterations or were in need of major repairs be given 100% discount for 12 months or until they became occupied, whichever was soonest; and

- (4) Second Homes – Properties which were treated as a person’s second home to pay a full charge.

## 7. **Income and Arrears Management Policy**

Considered report previously circulated, concerning a new Income and Arrears Management Policy (“The Policy”) for the Somerset West and Taunton Council. This was previously called the Corporate Debt Policy within the existing two Councils.

It was considered good practice for the Council to have such a Policy that allowed everybody to understand the Council’s approach to managing income collection. This promoted efficiency and consistency in the collection for all sources of income. This was of fundamental importance because the collection/maximisation of income was a vital component in how the Council was able to provide the resources needed to deliver its services. Taunton Deane and West Somerset Council’s existing Corporate Debt Policies were similar. The proposed Policy for the new Council updated these with a refresh and reflected the new structure and customer ethos.

In 2019/2020 the new Council would raise gross annual bills and invoices in excess of £213 million. It would also look to recover previous year’s arrears carried over from the existing Councils (potentially more than £10 million). It was noted the raised figure would increase year on year and rise further as the Council looked to increase and diversify income from our commercial activities.

The Policy was considered key in giving transparency to officers, Members and our customers, an overview of our core values and an insight into our operational activities that covered the administration/collection of all of our five income streams. The Policy, therefore reflected a range of measures that ultimately aimed to balance helping our customers, especially the most vulnerable, to pay sums due whilst having an underlying theme to maximise the overall level of income collected. The Council had a duty to maximise income collection to the best of its ability. If it did not, this could result in higher Council Tax or result in front line services having to be cut or reduced.

The Policy was underpinned by an extensive list of overarching principles which were set out in the report.

**Resolved** that the new Income and Arrears Management Policy be approved.

## 8. **Anti-Fraud and Corruption Policy and Strategy**

Considered report previously circulated, concerning the proposed Anti-Fraud and Corruption Policy and Strategy.



Responsibility for benefit fraud had passed to the Department for Work and Pensions through the formation of the Single Fraud Investigation Service, in June 2015. The Anti-Fraud and Corruption Policy and Strategy had been refreshed to recognise Powys Corporate Fraud Team's activities, as well as updating procedural changes.

In addition, the policy now provided guidance on the options available to deal with those committing Council Tax or Council Tax Support fraud or those who made negligently incorrect statements, or failed to notify of a change that affected their entitlement to a Council Tax discount, exemption or reduction.

The Council's revised Anti-Fraud and Corruption Policy and Strategy, underpinned by supporting policies and procedural guidance, would be key in assisting in the on-going improvement of fraud prevention controls and in detecting and investigating fraud committed against the Council.

The Anti-Fraud and Corruption Policy and Strategy provided a consistent framework for officers and Members to enable effective deterrence, detection and investigation of fraud and corruption and consequently would assist the Council in the achievement of financial sustainability.

Any income collected from penalties raised would be retained solely by the billing authority (Somerset West and Taunton Council), with any additional income raised by reducing a Council Tax discount being shared between the precepting authorities. It was considered difficult to predict the level of revenue that might be raised through the imposition of penalties or the collection rate that would be achieved. The primary objective of using these measures was to either ensure the Council billed the correct person for the correct amount or to aid recovery where the bill payer was in paid employment.

Noted that the cost of prosecutions under the Fraud Act would be borne by Somerset West and Taunton Council and, as such, prosecutions should only be taken where it was financially viable to do so.

**Resolved** that the revised Anti-Fraud and Corruption Policy and Strategy be adopted.

9. **Council Tax Support Scheme for Somerset West and Taunton Council for 2019/2020**

Considered report previously circulated, concerning the proposed Council Tax Support (CTS) scheme for the new Somerset West and Taunton Council together with comparison to the schemes currently adopted by both Taunton Deane (TDBC) and West Somerset Councils (WSC) and the context for reviewing the scheme for Working Age applicants from 2019/2020.

Reported that on 25 June 2018, the Shadow Scrutiny Committee had agreed a number of options to take to public consultation for the CTS scheme for

2019/2020.

The Council had undertaken a consultation on the agreed options. The outcome of the consultation and the Shadow Executive Councillors' proposals for the Scheme had been shared with the Shadow Scrutiny Committee on 23 October 2018. Shadow Executive Councillors had considered the consultation and the feedback from Shadow Scrutiny, and had now submitted the proposed 2019/2020 Scheme to the Full Shadow Council for its consideration and approval.

Responsibility for Council Tax Support (CTS) had passed to Local Authorities on 1 April 2013. The Government had also passed funding for CTS to Local Government, but had reduced the amount of funding compared to the costs of the previous Council Tax Benefit (CTB) Scheme where responsibility for CTB had been held by central Government and funded through the Department for Work and Pensions (DWP).

Billing Authorities had been tasked with designing a CTS scheme for people of working age, whilst rules for people of pension age were set in regulations prescribed by the Government. This meant people of pension age continued to receive assistance at no less amount than had been available under the CTB scheme.

From 1 April 2014, funding for localised CTS had been incorporated in the annual Settlement Funding Assessment (SFA), (comprising Revenue Support Grant and Business Rates Baseline) and was not separately identified. However, the approach taken by many authorities had been to assume the funding for CTS has been reduced at the same rate as the SFA. For TDBC, the SFA had reduced by 55% in cash terms since 2013/2014, while for WSC, the SFA had reduced by 51%. Therefore, in applying this methodology, the funding available for localised CTS for the combined authorities had reduced by £4,804,583 to £4,136,946.

This report presented Members with options for Somerset West and Taunton Council's CTS scheme for 2019/2020. To comply with the law, the scheme had been subject to a consultation process.

In 2018/2019 both TDBC and WSC had decided to change their schemes for working age people to remove Applicable Amounts in calculating CTS and instead award entitlement based on Income Bands. It had recognised the additional needs of multi-person households and families and the table below showed the income limits for each band in 2018/2019:-

CTS Band		Single people	Couple no Children	Couple with one child	Lone Parent with one child	Couple with two or more children	Lone Parent with two or more children
85%	1	£75	£115	£165	£125	£215	£175
75%	2	£125	£165	£215	£175	£265	£225

60%	3	£175	£215	£265	£225	£315	£275
45%	4	£225	£265	£315	£275	£365	£325
30%	5	£275	£315	£365	£325	£415	£375
15%	6	£325	£365	£415	£375	£465	£425

In addition to these changes, TDBC and WSC had also decided to:-

- a) Apply a flat rate deduction of £5 a week for each non-dependant;
- b) Disregard carers' allowance from the income used to work out CTS; and
- c) Provide extra assistance for young people who had left local authority care by increasing maximum support to 100% of the Council Tax liability for single applicants up to the age of 25 where their weekly income fell within Band 1.

### **Council Tax Support Scheme 2019/2020**

The Local Government Finance Act 2012 stated that before making a scheme the Council had to consult with any major precepting authorities, publish a draft scheme and then consult with other such persons who were likely to have an interest in the operation of such a scheme. The Council was required to set a realistic timeframe for consultation to ensure it could seek feedback from all appropriate individuals and groups in the community.

Consultation with precepting authorities (Somerset County Council, Avon and Somerset Police and Devon and Somerset Fire and Rescue Authority had taken place on 26 June 2018. Public consultation started on 16 July 2018 and ended on 10 September 2018. At the closing date, 355 responses had been received, details of which were set out in the report. A summary of the options on which the Council had consulted, as well as the responses received was set out below:-

### **Banded Income Scheme similar to what was currently in place for TDBC and WSC:**

**Consultation Response: 193 responders were in favour**

This would mean the Council would work out CTS for working age CTS recipients in a similar way as 2018/2019.

Customers with a weekly income in excess of the limits shown for Income Band 6 would not receive any support.

Working age customers with capital of over £6,000 would not be entitled to assistance.

Where a non-dependant deduction applied, the Council would apply a flat rate deduction of £5 for each non-dependant from their CTS entitlement.

Single care leavers within a weekly income falling within Income Band 1 would continue to receive CTS at 100%.

Income from earnings would be after the deduction of tax, national insurance and 50% of any contribution to a pension scheme. To incentivise employment or self-employment, the Council would ignore (disregard) some income. For most customers who were working, we would disregard:-

- £10 a week for single people;
- £20 a week for couples;
- £30 a week for those with qualifying disabilities; and
- £37.50 a week for lone parents.

A Minimum Income for self-employed applicants would be applied.

In common with Universal Credit rules, no blanket protection would be provided for households receiving disability benefits, but income from Disability Living Allowance and Personal Independence Payments would not count as household income. Similarly, we would continue to ignore (disregard) child benefit and maintenance received for children. We would also ignore carers' allowance from income we used to calculate CTS.

The maximum backdating of CTS would be one month and the allowable period of temporary absence outside Great Britain would be four weeks.

#### **Disregard the Housing Element within Universal Credit:**

**Consultation Response: 222 responders were in favour**

This would mean for those applicants receiving Universal Credit (UC), if their UC award included a Housing Element (intended to assist in paying for rent) the Council would disregard it from the income we used to determine the Income Band for CTS purposes.

#### **Disregard £50 a week for third and subsequent children from the income used to calculate CTS:**

**Consultation Response: 142 responders were in favour**

For those working age CTS recipients with **more** than 2 children, the Council would disregard £50 a week from the income we used to work out the Income Band for CTS purposes for the third and subsequent children. For example, we would disregard £50 a week if the customer had three children, £100 a week if the customer had four children, £150 for five children, etc.

#### **Disregard £50 a week from the income used to calculate CTS for households where there would have formerly been entitlement to the disability premium:**

**Consultation Response: 138 responders were in favour**

While the Council already disregarded income for some disability benefits, we

would disregard a further £50 a week from the income we used to work out the Income Band for CTS purposes for those customers who would have formerly had entitlement to the disability premium.

**Reduce maximum CTS offered to working age recipients from 85% to 80% and adjust the other percentages applied to Income Bands:**

**Consultation Response: 90 responders were in favour**

If the Council reduced the maximum we awarded to 80%, this would decrease the savings we needed to find in response to cuts in Government funding. Such a reduction would mean CTS awards were based on the amounts shown in the table below:-

CTS Band		Single people	Couple no Children	Couple with one child	Lone Parent with one child	Couple with two or more children	Lone Parent with two or more children
80%	1	£75	£115	£165	£125	£215	£175
70%	2	£125	£165	£215	£175	£265	£225
55%	3	£175	£215	£265	£225	£315	£275
40%	4	£225	£265	£315	£275	£365	£325
25%	5	£275	£315	£365	£325	£415	£375
10%	6	£325	£365	£415	£375	£465	£425

Table 7.7.1.1

**Limit the maximum CTS award to the Council Tax payable to either a Band C or Band D property:**

**Consultation Response:  
84 responders were in favour of Band C  
64 responders were in favour of Band D**

Executive Councillors had requested the recommendation restricted entitlement to Band D liability levels.

Restricting entitlement to Band D instead of Band C liability levels affected 350 households and would increase expenditure by £53,444.

**Key considerations**

Any of the options to reduce the level of support offered through CTS would have an adverse impact on certain applicants or groups of applicants. If the Council needed to cut the support offered through the CTS scheme, we needed to consider a careful selection of options for our particular demographic unless additional funding could be raised through other Council initiatives or by cuts in services generally. The reality was that any revised scheme that had less funding, needed to establish which applicants were more able to pay an increased level of Council Tax with the reduction in their CTS.

The estimated financial impact of each of the options and the numbers of customers affected had been considered. Although the Council was not legally required to include transitional protection for claimants moving from one CTS scheme to a replacement scheme, the legislation did state that Members must consider if transitional arrangements might be needed and if protection should apply to all groups or just certain groups. Such protection could limit our ability to realise savings.

Should there be any shift in proportions between working age and pension age or an economic downturn that resulted in more people relying on some form of state financial support, there would be greater pressure on the remaining Council Taxpayers to meet a potentially higher outlay.

During the discussion of this item, moved by Councillor Murphy, seconded by Councillor Lisgo that the recommendations be amended as follows:-

“That the maximum CTS be limited to 85% of a Band D property (with the exception of single care leavers in income Band 1 up to the age of 25 years who would continue to receive CTS at 100% of their Council Tax liability to a maximum of the amount payable for a Band D property”.

The amendment was put to the vote and was lost.

A copy of the full, proposed Council Tax Support Scheme together with a copy of an Equality Impact Assessment was circulated to all Members of the Shadow Council to increase understanding of the issues prior to a decision being taken.

**Resolved** that:-

- (1) The Council, having had regard to the consultation response and the Equality Impact Assessment, agreed to set a Council Tax Support (CTS) scheme to be implemented from 1 April 2019 to:-
  - a) Award entitlement to working age recipients based on the 2018-2019 income banded schemes in place for Taunton Deane Borough Council and West Somerset Council;
  - b) Limit the maximum CTS to 80% of a Band D property (with the exception of single care leavers in income Band 1 up to the age of 25 years who would continue to receive CTS at 100% of their Council Tax liability to a maximum of the amount payable for a Band D property);
  - c) Disregard the Housing Element included in a Universal Credit (UC) award from the income we use to work out CTS, thereby providing parity with the treatment of Housing Benefit as it is intended to help with rent costs;
  - d) Apply a weekly disregard of £50 from the income used to work out CTS for each child where there were more than two children in the household;

- e) Provide extra assistance for customers who would have formerly met the qualifying conditions for the disability premium by applying a weekly disregard of £50 from the income used to work out CTS.
- (2) The Council noted that on 23 October 2018, the Shadow Scrutiny Committee had recommended that recommendation 2.1 (b) should be amended to *“Limit the maximum CTS to 85% of a Band D property (with the exception of single care leavers in income band 1 up to the age of 25 years who would continue to receive CTS at 100% of their Council Tax liability to a maximum of the amount payable for a Band D property”*. However, the Shadow Executive Councillors, having considered this proposal from Shadow Scrutiny, were minded to maintain the original recommendation as set out in 2.1b above.

## 10. **2019/2020 Fees and Charges**

Considered report previously circulated, concerning the proposed fees and charges that were proposed to be applied to services for the first time for the new Council for 2019/2020. Scrutiny and Executive comments were tabled in an update paper prior to the meeting commencing.

In determination of these fees and charges the following principles had been applied:-

- i) Harmonisation of fees when it had been practical to do so;
- ii) Recovery of costs;
- iii) Setting of fees in line with statutory guidance.

In the setting of these fees and charges, a pragmatic approach had been taken for the first year of the new Council. A detailed review would be undertaken once the new operating model was embedded and fully in place.

Like its predecessor Councils, Somerset West and Taunton Council would charge the public for some services that they used. Some of these charges were set by Central Government.

The services that Somerset West and Taunton Council proposed to charge for were in connection with:-

- Bereavement Services;
- Waste Services;
- Land Charges;
- Housing;
- Licensing;
- Planning;
- Environmental Health;
- Promotional Rotunda Units;
- Deane Helpline;
- Freedom of Information Enquiries;

- Court Fees (Council Tax and Business Rates);
- Open Spaces;
- Harbours; and
- Car Parks.

Fees and charges generated in the region of £12,000,000 per annum and provided significant funding support to the provision of those services that were charged for. Charges were set broadly within the framework of the Medium Term Financial Strategy and in accordance with legislative requirements.

Appended to the report were appendices that contained the detailed proposed charges for each service. These incorporated the same service areas currently charged by Taunton Deane and West Somerset Councils. The appendices included the legislation that allowed Somerset West and Taunton Council to charge for the services in question, confirmed if the charges could only be what it cost to provide the service or could be another charge, or if the charge was set by Central Government. This gave Councillors reassurance that the charges being proposed would be legally set.

### **Proposed Increases for 2019/20**

Those services proposing an increase to charges for 2019/2020 included:-

Cemeteries and Crematorium;  
 Waste;  
 Housing Services;  
 Land Charges;  
 Pest Control;  
 Deane Helpline;  
 Harbours; and  
 Licensing.

Due to a rebasing of the associated costs, Court Fees were proposed to be reduced for 2019/2020.

In order to set appropriate fees, services would need to analyse trends and understand how fee levels influenced their customers. An understanding of risks associated with the fee levels was paramount in setting appropriate levels which would generate a value which could be confidently relied upon for budget setting purposes. Any unforeseen loss of income would impact on the Council's resources and might lead to overspends and affect service delivery.

The overall budgetary impact of the various proposals was summarised. Only those services that had changed their fees had been included in the report. This showed that the changes to fees and charges should contribute an additional £64,000 to the General Fund and £41,000 to the Housing Revenue Account (HRA), compared to initial single Medium Term Financial Plan



estimates for the new Council.

The Shadow Scrutiny Committee had considered this report on 26 November 2018 and recommended to support the proposed fees and charges for 2019/2020, but also provided comments on the proposals for consideration by Shadow Executive Members.

Shadow Executive had considered the matter on 6 December 2018 and had recommended that Shadow Council approved the proposed fees and charges for 2019/2020 subject to the further clarifications and amendments discussed. The Scrutiny comments were also discussed.

During the discussion of this item, moved by Councillor Dewdney, seconded by Councillor Martin-Scott that

“Appendix F – Planning Fees – Reduce the Listed Building Pre-Application Advice – all levels from £290.40 to £105.60” and

“Appendix M – Parking – Remove the £6 Coach Park fee for Tangier Car Park.”

The amendment was put and was carried.

**Resolved** that the new Council’s proposed Fees and Charges for 2019/2020, as amended, be approved.

#### 11. **Discretionary Reduction in Council Tax Liability Policy and Discretionary Housing Payment Policy**

Considered report previously circulated, concerning the awarding of Discretionary Housing Payments (DHPs) and Discretionary Reductions in Council Tax liability. The report sought support for combining both Taunton Deane’s and West Somerset’s Policies for the New Council from 1 April 2019.

Powers granted under Section 13A of the Local Government Finance Act 1992 (as inserted by Section 76 of the Local Government Act 2003), allowed the billing authority to reduce the Council Tax payable either for specific classes of cases, as determined by the billing authority, or for individual cases. The billing authority had the power to either reduce or cancel the Council Tax payable. The intent behind this legislation was to allow billing authorities to create local discounts or exemptions to cater for local circumstances, for example flooding.

The Councils had had policies for Discretionary Reductions in Council Tax liability for some time. However, a decision by the Valuation Tribunal for England arising from an appeal against East Riding of Yorkshire Council’s decision to refuse a discretionary reduction meant it was prudent to review and revise our policies accordingly. Discretionary Housing Payments offered

claimants of Housing Benefit (HB) and Universal Credit (UC) in receipt of the housing element, further financial assistance where the Council considered that help with housing costs was needed.

The Department for Work and Pensions (DWP) provided the Council with a specified Discretionary Housing Payments (DHP) allocation that varied each year as it was partly based on our previous DHP spending. The Councils currently had to return any unspent funding to the DWP.

During the financial year, the Councils could only award DHP up to a cash limit of two and a half times this annual grant. Any spending made above the allocation and up to the legal limit had to be funded from Council budgets. DHPs were not payments of benefit, and the Councils therefore had discretion in how this funding was managed.

During the discussion of this item, moved by Councillor Ryan, seconded by Councillor R Lees :-

“That the Discretionary Reduction in Council Tax Liability Policy and Discretionary Housing Payment Policy should be withdrawn and taken to the next available Shadow Scrutiny Committee for discussion before returning to the next Shadow Full Council in due course”.

The amendment was withdrawn by the proposer before a vote after further clarification was provided.

**Resolved** that the revised policy for Discretionary Reduction in Council Tax Liability and Discretionary Housing Payments to be applied from 1 April 2019 be approved.

(The meeting ended at 9.00 p.m.)

## **Somerset West and Taunton Council**

### **Shadow Council – 21 February 2019**

#### **Motion to declare a Climate Emergency**

##### **Motion proposed by Councillor Dave Mansell, seconded by Councillor Federica Smith-Roberts**

**This motion is supported by Councillors S Coles, S Dowding, E Gaines, J Horsley, P Pilkington, N Thwaites and G Wren.**

##### **Preamble:-**

The Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5°C (2), published in October 2018, provided a stark warning to the world. Increasing carbon emissions from human activities have already caused about 1°C of global warming above pre-industrial levels. If current trends continue the United Nations target (agreed in Paris in 2015) to endeavour to limit the average increase to 1.5°C may be reached by 2030. Current national commitments throughout the world are expected to still result in global warming of 3°C by 2100, with further warming continuing afterwards.

Increases in carbon levels and temperatures are already having serious environmental, economic and social impacts, including increases in extreme weather, sea levels, flooding, drought, heat waves, forest fires, ill-health and the spread of diseases, greater loss of species and habitats, changing ecosystems, ocean acidification, higher ocean temperatures and lower oxygen levels, and reduced yields from agriculture and fisheries. The IPCC report shows these impacts will be worse with global warming of 2°C compared to 1.5°C (3).

With increasing temperatures, the impacts will escalate, with some passing tipping points and becoming irreversible. Natural feedback systems, such as loss of albedo (surface reflectivity) due to melting sea-ice, will result in further global warming and greater climate changes. An international team of climate scientists have warned of a Hothouse Earth scenario with naturally stored carbon being released from permafrost, forests and seas, which leads to sea levels rising by 10-60 metres and parts of the Earth becoming uninhabitable (4).

Mark Carney, the Governor of the Bank of England, is among many who have warned that the global financial system could be at risk from both physical climate impacts and a 'carbon bubble' where efforts to decarbonise leave carbon intensive assets stranded (5). This applies to most fossil fuels reserves, which need to be left in the ground and not burned, as well as fossil fuel power plants.

Options and choices exist to reduce carbon emissions from human activities, including our energy generation and use, transport, business and industry, waste generation, food consumption and land use; but these options are not being adopted and introduced quickly enough.

To avoid the worst impacts of global warming and climate change, carbon emissions need to be reduced as rapidly and quickly as possible.

Individuals cannot be expected to make the reductions necessary on their own. Society needs to change its infrastructure, incentives, regulations and taxation to make low carbon living easier and a common social norm.

Climate action can deliver wider economic and social benefits in terms of improved health and well-being, new jobs, savings and market opportunities.

There is a need to build on strategies and plans previously adopted by Taunton Deane Borough Council and West Somerset Council (6) and to take these further.

#### **Recommendations:-**

1. To declare a climate emergency.
2. With partners across the district and region, to start working towards making Somerset West and Taunton carbon neutral by 2030, taking into account emissions from both production and consumption (7).
3. To call on the UK Government to provide guidance and the powers and resources to make carbon neutrality possible by writing to local MPs, the Secretaries of State for Business Energy & Industrial Strategy, Transport, Environment, Food & Rural Affairs and Housing, Communities & Local Government.
4. To develop a Carbon Neutrality and Climate Resilience Plan, starting from July 2019, with a cross party working group and the necessary officer support to assist with investigative work, drafting the plan and the delivery of early projects.
5. To report to Full Council before the end of 2019 with costed proposals for projects for the Council to effectively start addressing the climate emergency, which could include:
  - a) Enabling more cycling, walking and use of shared and public transport.
  - b) Providing electric car charging points in car parks and other suitable locations, including for use by council tenants and council vehicles.

- c) Adopting high energy efficiency standards and providing for the effective use of recycling services in new buildings through the planning system.
  - d) Demonstrating and developing a programme for retrofitting high standards of energy saving and insulation in existing council buildings, including housing, and assets; initially focusing on where the greatest benefits could be gained.
  - e) Promoting waste reduction, reuse and recycling on the go, and supporting community projects.
  - f) Sourcing electricity used by the council from renewable energy suppliers and providing support for smart energy infrastructure, including demand management and storage.
  - g) Supporting green businesses and social enterprises.
  - h) Review of planning policies and investment opportunities for local renewable energy and infrastructure and environmental markets, as well as divestment from fossil fuels.
  - i) Adaptation for flooding, coastal erosion and other impacts of climate change.
  - j) The appointment of a specialist officer to develop and champion the delivery of the Carbon Neutrality and Climate Resilience Plan.
6. To provide an annual review and update of the plan thereafter.
7. A provisional budget of £75,000 to be allocated to allow this work, including early projects agreed by the working group, to be undertaken either through resources already available or through commissioning. This sum to include £50,000 as a supplementary budget allocation from the General Fund in 2019/20, to be taken from general reserves and returned if able to be undertaken from already available resources, and £25,000 to be prioritised from the proposed HRA Maintenance Budget in 2019/20.

## References and additional information:

- 1) Climate emergency motions are being adopted by a growing number of local authorities and have been agreed already by Bradford District Council, Brighton and Hove City Council, Bristol City Council, Cornwall Council, Forest of Dean District Council, Kirklees Council, Lewes Council, Liverpool City Council, The London Assembly, Nottingham City Council, Scarborough Borough Council, Shropshire Council, Stroud District Council and Trafford Council.
- 2) IPCC Special Report: Global Warming of 1.5 °C - Summary for Policymakers ([www.ipcc.ch/sr15/chapter/summary-for-policy-makers](http://www.ipcc.ch/sr15/chapter/summary-for-policy-makers)). For an example of informed media comment see: [www.newscientist.com/article/mg24031992-900-weve-missed-many-chances-to-curb-global-warming-this-may-be-our-last/](http://www.newscientist.com/article/mg24031992-900-weve-missed-many-chances-to-curb-global-warming-this-may-be-our-last/)
- 3) See WWF - Our Warming World: how much difference will half-a-degree really make? - <https://www.wwf.org.uk/updates/our-warming-world-how-much-difference-will-half-degree-really-make>
- 4) See BBC Climate Change report: 'Hothouse Earth' risks even if CO2 emissions slashed - [www.bbc.co.uk/news/science-environment-45084144](http://www.bbc.co.uk/news/science-environment-45084144)
- 5) Warnings on stranded assets and the need for fossil fuel divestment:
  - [www.theguardian.com/environment/2014/oct/13/mark-carney-fossil-fuel-reserves-burned-carbon-bubble](http://www.theguardian.com/environment/2014/oct/13/mark-carney-fossil-fuel-reserves-burned-carbon-bubble)
  - [www.bbc.co.uk/news/science-environment-44357243](http://www.bbc.co.uk/news/science-environment-44357243)
  - [www.businessgreen.com/bg/news/3029788/mark-carney-warns-of-potential-catastrophic-climate-impact-on-financial-markets](http://www.businessgreen.com/bg/news/3029788/mark-carney-warns-of-potential-catastrophic-climate-impact-on-financial-markets)
- 6) Previous plans and strategies include: Taunton Deane Carbon Management and Local Resilience Strategy, West Somerset Community Climate Change Strategy 2008-2012, and Carbon Management Plans for both authorities.
- 7) This includes scope 1, 2 and 3 greenhouse gas emissions, which are explained at: [www.carbontrust.com/resources/faqs/services/scope-3-indirect-carbon-emissions](http://www.carbontrust.com/resources/faqs/services/scope-3-indirect-carbon-emissions)

## Somerset West and Taunton Council

### Shadow Council – 21 February 2019

#### Housing Revenue Account (HRA) Budget Estimates 2019/2020

This matter is the responsibility of the Leader of the Council, Councillor John Williams

Report Author: Kerry Prisco, Principal Accountant

#### 1 Executive Summary

- 1.1 The purpose of this report is to provide Members with the information required for Shadow Council to approve the proposed Housing Revenue Account (HRA) revenue budget and capital programme for 2019/20.

#### 2 Recommendations

- 2.1 It is **recommended** that the Housing Revenue Account Budget and Capital Programme for 2019/20 be agreed and that Shadow Council:-
- a) Approve the proposed rent decrease of 1%, with proposed average rents of £80.87 per week in 2019/20
  - b) Approve the Housing Revenue Account Budget for 2019/20
  - c) Approve the new capital schemes of the Housing Revenue Account Capital Programme of £9.586m for 2019/20.

#### 3 Risk Assessment

##### Risk Matrix

Description	Likelihood	Impact	Overall
<i>Risk: The Council is unable to set a balanced budget</i>	Slight (2)	Major (4)	Medium (8)
<i>Mitigation: Members approve options to balance the budget</i>	Rare (1)	Major (4)	Low (4)

## Risk Scoring Matrix

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

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

## 4 Background Information

- 4.1 The purpose of this report is to update and request comments from the Members on the proposed draft Housing Revenue Account (HRA) Annual Budget and Capital Programme for 2019/20.
- 4.2 Under the localism agenda, in 2012 the Government closed down the previous national Housing Revenue Account (HRA) Subsidy system. This was a key feature of the funding arrangements for local authorities with council housing stock, and under new arrangements was replaced with a new “self-financing” system of funding. At the time, TDBC was paying approximately £7m per year in “negative Subsidy”, which meant an annual payment from the HRA to Central Government. . As part of the implementation of self-financing, a one-off payment of £85.12m was made to Government, in return for being able to retain all income locally to manage and maintain the housing stock. The total debt in the HRA at the start of self-financing was £99.7m.
- 4.3 In order to manage the freedoms gained by the HRA through self-financing, a new 30-Year Business Plan (2012-2042) was introduced. This set out the Council’s overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities.



- 4.4 The HRA Business Plan has been reviewed and updated annually since 2012. Due to a number of changes in national policies and local aspiration, a full review of the Business Plan was undertaken in 2016.
- 4.5 There is an anticipation that further regulatory changes are likely following the publication of the ‘Social Housing Green Paper’ issued on the 14 August 2018 and the independent review of Building Regulations and Fire Safety led by Dame Judith Hackitt. In addition to this, we have our own internal developing housing aspirations to consider. This would suggest that a timely and full review of the Business Plan should be undertaken to maintain the affordability and viability of these schemes and the financial impact of any regulatory changes within the overall Business Case.
- 4.6 The HRA faces a number of risks and uncertainties, many of which could be significant but the actual financial impact is not yet known. These are listed in Section 10.
- 4.7 As part of the self-financing agreement, an individual housing revenue debt cap of £115m was implemented by Government for Taunton Deane. This meant that the HRA was unable to take out external borrowing in excess of £115m within the HRA Business Plan. In October 2018 this debt cap was officially removed.
- 4.8 The expectation of Government is that the removal of the debt cap, along with other proposals such as allowing councils more flexibility on Right to Buy (RTB) receipts and the introduction of a new rent policy from 2010, will enable authorities to be able to plan for the development of new homes with more certainty.

## 5 Summary of Movements in HRA Estimates

- 5.1 A summary of the overall HRA Revenue Budget for 2019/20 and Medium Term Financial Plan is included in Appendix A.
- 5.2 The following table provides a summary of the main proposed changes to the budget estimates from 2018/19 to 2019/20 for the HRA Revenue Budget.

Table 1: HRA Budget Setting 2019/20 Changes

	Reference Paragraph	£k
<b>Original Budget 2018/19 – balanced budget</b>		<b>0.0</b>
<u>Income</u>	Section 6 & 7	168.8
<u>Expenditure</u>		
Inflation (excluding salaries)	8.2	73.0
Housing Partnership	8.3	(21.6)
Pension Deficit	8.4	15.4
Provision for Bad Debt	8.5	(441.5)

Grounds Maintenance	8.7	298.5
Transformation savings	8.8	(929.0)
Other Savings		(9.3)
<u>Other Expenditure</u>		
Provision for Depreciation	8.9	(258.9)
Revenue Contribution to Capital Outlay	8.9	250.4
Interest Payable	8.12	(123.4)
Interest Receivable	8.13	62.0
Movement in earmarked reserves	8.14	914.7
Increase/Decrease in Provision for Repayment of Debt	8.15	0
Increase/Decrease in Social Housing Development Fund	8.16	0
<b>Proposed Original Budget for 2019/20 i.e. net transfer to reserves</b>		<b>0.9</b>

## 6 Dwelling Rental Income for 2019/20

- 6.1 The Welfare Reform and Work Act 2016 sets out a 1% annual reduction in social housing rents from 1<sup>st</sup> April 2016 for four years, up to and including 2019/20.
- 6.2 The proposed Housing Rent for 2019/20 reflects national policy that requires a reduction of (at least) 1%. For Somerset West and Taunton tenants this would see a reduction to the average weekly rent, from £81.69 per week to £80.87 per week.
- 6.3 These changes cause the dwelling rents annual income forecast to decrease by £129.1k over the current business plan to £24.013m from £24.142m for the HRA from approximately 5,700 properties.
- 6.4 On 4 October 2017 the Department for Communities and Local Government announced that “increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.” This assumptions is included in the medium term forecast within the HRA financial plan.
- 6.5 Rent lost through void periods continue to be lower than the 2% allowed in the original Business Plan. Therefore it is proposed to reduce the expected void rate to 1% for a two year period and to also consider voids as a result of regeneration needs.

## 7 Other Income for 2019/20

- 7.1 About 9.3% of HRA income, amounting to £2.4m in total, comes from non-dwelling rent (mainly garages, but also shops and land), charges for services and facilities, and contributions to HRA costs from leaseholders and others. The proposed changes to specific budget lines reflect changes recommended to Council in the Fees and Charges report that was approved by Shadow Full Council in December 2018.

- 7.2 **Garage rents:** The fee will increase by 3.3% (last year 3.9%) to £6.37, which is an increase of £0.20 per week for tenants. An increase of 3.3%, or £0.32 per week, to £10.32 (including VAT) for private garage tenants and second Council tenant garages.
- 7.3 **Charges for services and facilities:** an increase of 3.3% (last year 2.0%). Budgets for service charges have been reset in line with the current stock, and budgets added for annual service charges to leaseholders and rechargeable repairs for current and former tenants. Charges to leaseholders will continue to be based on actual costs incurred.
- 7.4 **Extra Care service charges:** As previously reported, Somerset County Council (SCC) has changed the way in which it procures Extra Care Housing. From April 2017 both the care and support elements were combined in one contract. Taunton Deane Borough Council has ceased to provide the Extra Care Support, although an element of intensive housing management is still being provided with the services charges amended accordingly. This represented an increase in the housing element (the part which Taunton Deane will retain), which is eligible for Housing Benefit and current self-funded tenants will be protected from the increase.
- 7.5 A review of the sheltered housing contract we have with SCC was always due to happen post October 2018 when our current contract expires. Our sheltered housing service model was changed in 2016/17 so that it is self-sufficient. Our sheltered housing tenants pay a weekly charge for our Sheltered Housing Officers (SHO) to provide tenant empowerment, community development and additional housing management services.

## 8 Expenditure 2019/20

- 8.1 Below are brief explanations for any significant changes to the 2018/19 currently approved Business Plan. The key changes for 2019/20 are:
- 8.2 **General Inflation:** An additional budget of £73k is the expected inflation across all general expenditure at 3.3% representing RPI inflation at September 2018, including insurance (at 2% inflation) and utilities (at 3% inflation). This does not include staffing costs which have been included within the net Transformation Savings for Salaries.
- 8.3 **Housing Partnership:** A saving of £21.6k will be achieved due to the agreement of a new contract for this service area.
- 8.4 **Pension Deficit:** This £15.4k reflects the increase in pension deficit contribution attributable to the HRA.
- 8.5 **Provision for bad debts:** The Business Plan had previously increased the provision for bad debt to 2% (from 0.5%) for a period of three years. This was to mitigate the expected reduction in recovery of income due to the implementation of Universal Credit.

- 8.6 However Universal Credit was only fully introduced for new claimants in Taunton Deane in October 2016, and has not yet been fully implemented for existing claimants. As a consequence our Bad Debt Impairment provision has remained fairly low and is expected to remain low due to the continued delay in the full implementation of Universal Credit. Therefore the Bad Debt Provision has temporarily been reduced to £60k for 2019/20, returning to £500k in 20/21.
- 8.7 **Grounds Maintenance Service Charges:** A review was undertaken to increase the grounds maintenance service charge to bring it in line with the average cost of other housing associations to be able to carry out a service, as requested by Tenant Services Management Board (TSMB). This resulted in an increase in the weekly service charge from 81p per household to £1.84 per household in 2018/19 (£1.90 for 2019/20). The Service Level Agreement (SLA) for 2019/20 has increased budgeted costs by £298.5k.
- 8.8 **Transformation Savings:** The Business Plan includes the expected full realisation of annual savings of £929k in 2019/20 in line with the Transformation Business Case and revised savings target agreed by TDBC and WSC in December 2018.
- 8.9 **Provision for Depreciation and RCCO:** Depreciation is transferred to the Major Repairs Reserve (MRR) and must be used to fund the capital programme and/or repay debt. Depreciation is calculated on a component accounting basis. This means Depreciation is calculated on each of the major components of each house e.g. kitchen, bathroom, rather than being based on the Major Repairs Allowance (MRA), an estimation of the works needed to maintain the stock in good condition.
- 8.10 Following a full calculation of the depreciation charges and agreement of the policy with our external auditors, a decrease in depreciation has been seen requiring an equal amount to be included as Revenue Contribution to Capital Outlay (RCCO) in order to maintain the funding of the capital programme.
- 8.11 This will be the first year we have properly budgeted for this, with the adjustments showing a decrease in depreciation of £258.9k and an increase in RCCO of £250.4k reflecting this change in depreciation policy and to match the budgeted expectations for 2019/20 as per the original Business Plan.
- 8.12 **Interest payable:** The majority of existing external borrowing is based on fixed interest rates for the term of the loan, with only two loans based on variable rates of interest. Therefore we are able to predict the interest payment for these elements with a high degree of certainty. The budget for 2019/20 has been updated to more accurately reflect the anticipated interest payments including the reduction for the repayment of a £3m loan during 2018/19. This reduces the budgeted interest payable for 2019/20 by £123.4k. The HRA also has internal borrowing from the general fund and the expectation is that this will continue into 2019/20 without the need for the HRA to take out any additional external borrowing to fund this (however this will be kept under review).

- 8.13 **Interest receivable:** This is based on an estimated interest rate on investments. The interest receivable for 2017/18 was considerably lower than budgeted and there is an expectation that this will continue in 2018/19 and for 2019/20. Therefore this budget has been adjusted by £62k to show that less interest income is expected to be received.
- 8.14 **Transfers from Earmarked Reserves:** Transfers from earmarked reserves totalling £1.0m were included in the Business Plan for 2018/19. This is due largely due to the use of reserves to fund staff prior to the restructure as part of the Transformation Programme, as well as the reduced requirement for the provision of bad debt. This provision has now been reduced to £100k for 19/20.
- 8.15 **Repayment of Borrowing:** In 2017/18, the provision for the repayment of borrowing was increased to £1.8m to allow the current level of debt to be repaid over 60 years. In addition to this internal borrowing stands at £12.8m. The proposal is to maintain this level of contribution towards the repayment of debt at £1.8m for 2019/20.
- 8.16 **Social Housing Development Fund:** The revenue contribution made towards the development programme will continue to be £1.17m in 2019/20.

## 9 Housing Revenue Account Capital Programme for 2019/20

- 9.1 The proposed HRA Capital Programme for 2019/20 totals £9.59m. This is provided to deliver the prioritised capital investment requirements included in the current Business Plan for the next budget year. The current 5-Year HRA Capital Programme is shown below, which includes forecast capital expenditure requirements for the period 2019/20 to 2023/24, as identified in the Business Plan.
- 9.2 This report does not include schemes that have been previously approved where the spending is planned to be incurred in 2019/20.

Table 2: Draft HRA Capital Programme 2019/20

<b>Project</b>	<b>Total Cost £000</b>
Major Works	6,197
Improvements	321
Exceptional Extensive Works	502
Disabled Facilities Grants and Aids and Adaptations	376
Building Services Vehicles	121
Social Housing Development Fund	2,069
<b>Total Proposed HRA Capital Programme 2019/20</b>	<b>9,586</b>

- 9.3 Members are being asked to approve the Capital Maintenance and Improvement Works Programme budget for 2019/20 at £9.586m.
- 9.4 It is proposed that the HRA capital programme for 2019/20 shown above is funded from the Major Repairs Reserve (from depreciation), revenue contribution (RCCO) from the

Social Housing Development Fund, and capital receipts (Right to Buy).

9.5 A summary of the estimated funding available before the funding of the 2018/19 capital programme is shown in the table below:

Table 3: Funding Estimates

<b>General Fund</b>	<b>2019/20 £k</b>
Major Repairs Reserve	7,517
Social Housing Development Fund (RCCO)	1,170
Capital Receipts	899
<b>TOTAL Funding</b>	<b>9,586</b>

### **Major Works**

9.6 This line in the capital programme covers a number of areas of spend. The Council is required to maintain decent homes standards ensuring items are replaced as and when needed.

9.7 The detail used to make up the budget is shown in the table below and this is what the budget line is expected to be spent on. This is subject to change depending on factors such as contractor availability, and any changes to the profile of spend will be agreed with the Director for the service.

Table 4: Major Works

<b>Project</b>	<b>Total Cost £000</b>
Bathrooms	1,400
Heating Systems	1,625
Fire Safety Work	1,172
Fasciae and Soffits	1,200
Insulation	800
<b>Total</b>	<b>6,197</b>

9.8 Major Works includes the following:

- Bathrooms: This is for the replacement of bathrooms as and when required.
- Heating Systems: The replacement and upgrade of boilers and heating systems.
- Fasciae, Soffits and Rainwater Goods: This is for replacement where necessary.
- Fire Safety Works: This is to fund works identified on the TDBC action plan following the fire in a block of flats. The action plan was accepted by the Fire Service.
- Insulation: The upgrade of insulation, for example cavity wall and loft insulation in dwellings.

## **Improvements**

- 9.9 A budget of £322k for estate improvements is included in the HRA capital programme, as identified in the Business Plan.

## **Exceptional/Extensive Works**

- 9.10 This project is for works such as asbestos removal and subsidence works to the Council's non-traditional properties. A budget of £502k is included in the 2019/20 programme for asbestos removal.

## **Disabled Facilities and Aids and Adaptations**

- 9.11 This is an annual recurring budget for small and large scale home aids and adaptations in tenants' homes where there are mobility issues. This budget is demand led by requests from tenants or through recommendations by occupational therapists or other healthcare professionals. Applications are made through the Somerset West Private Sector Housing Partnership.
- 9.12 The demand for adaptations has been historically lower than budget and provision was made in the Business Plan for a phased reduction over a five year period. This will be done line with a number of steps being taken, such as moving towards more cost effective installations of wet floor shower rooms through a new fixed price contract; switching from concrete ramps to better value metal modular ramps; and a move toward stairlift loans and recycling, rather than purchases. These measures will ensure that the service stays within reduced budgets without impacting tenants.

## **Building Services Vehicles**

- 9.13 The transfer of Building Services from the DLO to the HRA means that the HRA will need to hold a budget for any new/replacement vehicles needed. This will be funded from depreciation within Building Services, which has previously been included within the hourly rate to the HRA, and so does not increase the net cost to the HRA.

## **Social Housing Development Fund**

- 9.14 The budget for the Social Housing Development Fund is for new development/redevelopment of housing. This budget represents an ongoing programme averaging 15 units a year. For 2019/20 this is increased to £2.07m.

## **Draft HRA 5-Year Capital Programme**

- 9.15 The current 5-year capital programme is included for information and is shown in the table below.

Table 5: Draft HRA 5-Year Capital Programme

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	5-Year Total £m
Capital Programme	9.586	9.699	7.632	7.770	7.910	42.597

## 10 HRA General Reserves

- 10.1 As set out in the HRA Business Plan the recommended minimum unearmarked reserve balance for the HRA is £1.8m (approximately £300 per property). The reserve balance as at 1 April 2018 was £2.778m. There have not been any approved changes during the year from unearmarked reserves.
- 10.2 If the draft budget in this report is approved by Council, assuming no further changes, the balance would increase by £0.9k, to £2.779m. This is £979k over the minimum reserve balance. This reserve will be held at the minimum recommended balance of £1.8m when considering any further demands on this reserve.
- 10.3 Appendix A shows the forecast position over the medium term based on this draft budget. This is subject to transfers to or from HRA general reserves in 2018/19, and any other changes.

## 11 Risks and Uncertainties

- 11.1 Although some previous risks have now been removed (e.g. Higher Value Asset Sales), the HRA still faces a number of medium to long-term risks and uncertainties, both internal and external to the Council. These include:
- 11.2 Universal Credit: It is not known what impact the full roll out of Universal Credit will have on the HRA. The HRA has already taken steps to try and prevent loss of income where possible. Tenants are now able to pay through direct debits on any day of the month (rather than only three options previously) in order to allow them to make payments on the same day as their Universal Credit payment, salary, pension or other income. There are also currently additional officers working within the One Teams such as a Welfare Reform Officer and an additional Debt and Benefit Advisor in order to support tenants affected by welfare changes. However, the impact on social housing landlords in areas where Universal Credit has already been fully implemented for new claimants has been significant. The impact this will have when Universal Credit is fully implemented for existing claimants is still unknown.
- 11.3 Social Housing Green Paper: On the 14 August 2018 the government published its Social Housing Green Paper in response to the tragedy at Grenfell Tower. Whilst the initial consultation has now closed, we are still awaiting the outcome of this consultation and any regulatory changes that this may bring.
- 11.4 Independent Review of Building Regulations and Fire Safety: The final report sets out over 50 recommendations for government as to how to deliver a more robust regulatory system to ensure that the buildings residents live in are safe and remain



so. Again, we are awaiting the final regulatory changes to understand the full budgetary impact this may have on the HRA.

- 11.5 Transformation: Savings from Transformation are included within the ongoing Business Plan. If these savings aren't achieved the financial position of the Business Plan will be affected.
- 11.6 Asbestos: Significant progress has been made in implementing processes and procedures to ensure the Council meets its duties under the Control of Asbestos Regulations 2012. The detailed analysis is nearing completion which will identify the Council's short, medium and long-term financial liabilities for asbestos. The outcome will be compared with budgetary provision within the HRA Business Plan and relevant earmark reserves, so as to schedule an affordable asbestos management plan.

## **12 HRA Borrowing**

- 12.1 In 2012 Taunton Deane took out additional borrowing of £85.2m as part of the self-financing settlement with the Government. This brought the total borrowing in the HRA up to £99.6m at the start of self-financing, including £5.5m internal borrowing from the General Fund.
- 12.2 The current borrowing requirement for 2018/19 totals £104.8m with an additional £12.8m of internal borrowing within the HRA (for approved capital schemes such as Creechbarrow Road). This internal borrowing is currently funded from reserves held by the HRA, but external borrowing may be required in the future. This will be reassessed as part of the overall Business Plan review during 2019/20. A loan repayment of £3.5m will be made during 2019/20.
- 12.3 An annual provision of £1.8m for repayment of debt is included in the Business Plan, and ongoing repayments of borrowing will be made, with refinancing of loans occurring where necessary (in line with the repayment of borrowing over 60 years as approved in the Business Plan).
- 12.4 In October 2018 the government officially removed the debt cap that was set at the inception of self-financing. This means that the HRA comes under the same prudential borrowing rules as the General Fund and is therefore able to borrow providing that it is affordable and viable as part of the overall Business Case and ensuring that this can be repaid over the 60 years.

## **13 Right to Buy (RTB) Receipts**

- 13.1 In 2012 the maximum discounts offered to tenants who exercise their Right to Buy increased significantly to £77k (which rises with inflation). Taunton Deane signed up to retain the additional receipts, and agreed that these receipts would be used to fund new affordable housing. The additional RTB receipts can only account for 30% of spend on new housing, with the remaining 70% coming from other funds such as revenue funding or borrowing. The RTB receipts can't be used in the same scheme as other Government funding such as Homes and Communities Agency (HCA) funding.

13.2 The full spend on new housing (the 30% RTB funding and 70% Council funding) should be spent within three years of the capital receipt, or the RTB receipt must be returned to Government with interest at 4% over base rate from the date of the receipt. Receipts can be returned in the quarter in which they are received with no interest payable.

13.3 The table below shows the capital receipts received under the new RTB discount scheme, along with how much of those receipts are deemed to be 'Additional receipts', i.e. those which can be retained and used for new housing, and the total amount that would need to be spent in order to fully retain them.

Table 6: Right to Buy receipts

	Total 2012/13	Total 2013/14	Total 2014/15	Total 2015/16	Total 2016/17	Total 2017/18	2018/19			Total to date
							Q1	Q2	Q3	
<b>Sales</b>	37	47	35	38	44	53	7	10	7	278
<b>Total Receipts (£k)</b>	2,330.4	2,704.6	2,316.6	2,665.7	3,568.1	3,971.5	465.2	802.3	516.1	19,340.5
<b>1-4-1 Receipts (£k)</b>	1,233.7	1,230.5	1,004.9	1,192.7	1,816.7	1,949.1	189.0	369.6	347.9	9,334.1
<b>Spend Required (£k)</b>	4,112.4	4,101.5	3,349.6	3,975.6	6,055.8	6,496	630.1	1,231.9	1,159.6	31,112.5

13.4 The latest forecast shows that forecast spend will be enough to meet the match funding requirements to quarter 2 of 2019/20. This is based only on currently approved budgets (therefore does not include eligible spend on North Taunton), and doesn't include any additional schemes funded through borrowing. It is possible to borrow for additional schemes, within the borrowing headroom in Section 13, but many schemes may not be able to repay the capital and interest costs from the rental income. This would create a net revenue cost to the HRA which would impact the Business Plan.

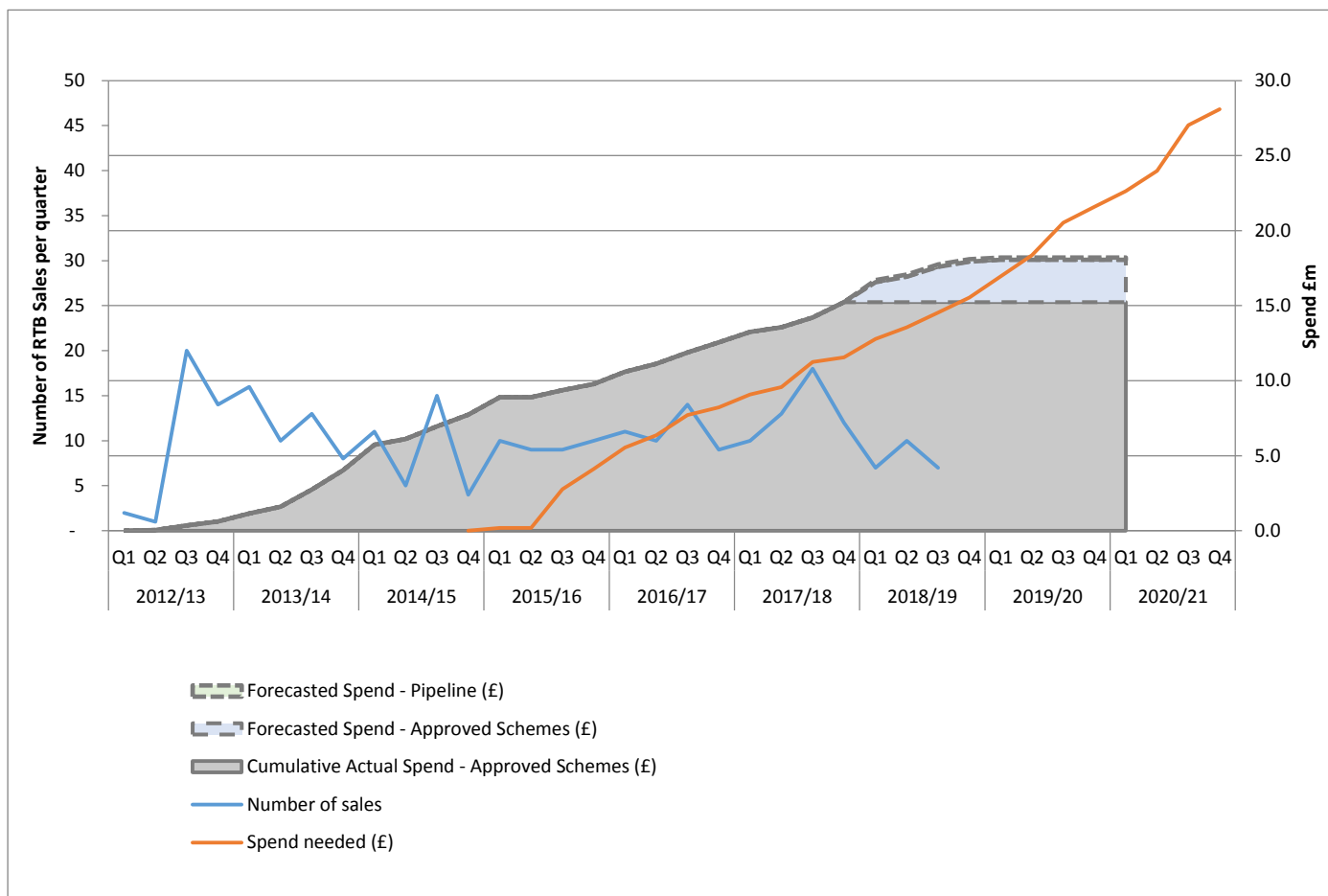
13.5 It should be noted that the new housing doesn't need to be provided by the Council. The 30% RTB funding could also be used by Housing Associations in the area, providing they meet the same match funding requirements.

13.6 Further options for the 70% match funding of RTB receipts in excess of planned development expenditure.

- Increase spend through borrowing
- Increase spend from revenue – would lead to reduced service provision as revenue is allocated within the Business Plan
- Use other Council funding
- Return funding to Government

13.7 The requirement for the funding to be spent within three years does mean that there is flexibility to allocate funding after the capital receipts are retained. However development schemes are likely to have large lead in times and so receipts should be allocated as soon as possible to reduce the risk of having to repay the capital receipt to Government with interest payments.

Graph 2: Right to Buy Receipts and forecasted spend



## 14 Links to Corporate Aims / Priorities

14.1 It is important that Councillors recognise the financial position, challenges and risks faced by the HRA and fully engage in the corporate and financial planning processes in order to determine an affordable and sustainable set of corporate aims and priorities. This should lead to the Council approving a sustainable final budget and MTFP in February 2019.

## 15 Finance / Resource Implications

15.1 The HRA's financial position is set out above within the body of this report. The HRA is required to set a balanced budget to ensure that the service remains self-sufficient.

15.2 There have been no proposed policy changes or reductions in service budgets in order to balance the budget in 2019/20, in line with the HRA overall Business Plan.

- 15.3 It is important that Councillors have a good understanding of the financial position and forecasts over the medium term.
- 16 Legal Implications** (if any)
- 16.1 None for the purposes of this report. The Welfare Reform and Work Act 2016 sets out a 1% reduction in social housing rents from 1st April 2016 for four years, up to and including 2019/20.
- 17 Environmental Impact Implications** (if any)
- 17.1 None for the purposes of this report.
- 18 Safeguarding and/or Community Safety Implications** (if any)
- 18.1 None for the purposes of this report.
- 19 Equality and Diversity Implications** (if any)
- 19.1 None for the purposes of this report.
- 20 Social Value Implications** (if any)
- 20.1 None for the purposes of this report.
- 21 Partnership Implications** (if any)
- 21.1 None for the purposes of this report. The Council budget incorporates costs and income related to the various partnership arrangements, and any changes in relevant forecasts and proposals will be reported for consideration as these emerge.
- 22 Health and Wellbeing Implications** (if any)
- 22.1 None for the purposes of this report. Any relevant information and decisions with regard to health and wellbeing will be reported as these emerge through the financial planning process.
- 23 Asset Management Implications** (if any)
- 23.1 None directly for the purposes of this report. The financial implications associated with asset management will be reflected in due course.
- 24 Data Protection Implications** (if any)
- 24.1 None for the purposes of this report.
- 25 Consultation Implications** (if any)
- 25.1 None for the purposes of this report.
- 26 Scrutiny Comments / Recommendation(s)** (if any)
- 26.1 Scrutiny supported the recommendations as written.

- 26.2 Members raised queries on the Asbestos surveys – update on the timetable and impact on future spend re surveys but also resulting works which is going for a written answer along with further information on average age/lifetime of housing stock and borrowing over how many years
- 26.3 Queries around the Loans for the HRA and the explanation of the government cap lifted but not expected to suddenly add to this figure.
- 26.4 A question was asked about how much was the housing stock was valued at. This has been confirmed at £267m as at 31 March 2018.
- 26.5 Written answer requested on reduction in rent and the figures for the last 4 years.

**Democratic Path:**

Shadow Scrutiny – 5 February 2019  
 Shadow Executive – 11 February 2019  
 Shadow Council – 21 February 2019

**Reporting Frequency:** Annually

**List of Appendices (delete if not applicable)**

Appendix A	Draft Budget for 2019/20 and MTFP
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## APPENDIX A

### Draft Budget for 2019/20 and MTFP

	2018/19 Target Budget	2019/20 Draft Budget	2020/21 Forecast Budget	2021/22 Forecast Budget	2022/23 Forecast Budget	2023/24 Forecast Budget	2024/25 Forecast Budget
<b>Income</b>							
Dwelling Rents	(24,142)	(24,013)	(24,260)	(24,964)	(25,774)	(26,545)	(27,327)
Non Dwelling Rents	(628)	(649)	(669)	(689)	(710)	(731)	(753)
Service Charges	(1,444)	(1,445)	(1,461)	(1,502)	(1,546)	(1,589)	(1,633)
Other Income	(430)	(369)	(386)	(388)	(390)	(393)	(395)
<b>Sub Total Income</b>	<b>(26,644)</b>	<b>(26,476)</b>	<b>(26,776)</b>	<b>(27,543)</b>	<b>(28,420)</b>	<b>(29,257)</b>	<b>(30,108)</b>
<b>Expenditure</b>							
Repairs and Maintenance	5,782	2,225	1,845	1,874	1,903	1,933	1,963
Management	6,934	9,720	10,014	10,250	10,491	10,739	10,993
Rents and Rates	385	394	403	412	421	430	440
Special Management	1,335	1,525	1,544	1,563	1,578	1,597	1,616
Bad Debt Provision	502	60	500	500	500	500	500
Debt Management Expenses	9	9	9	9	10	10	10
Other Expenditure	0	0	0	0	0	0	0
<b>Sub Total Expenditure</b>	<b>14,947</b>	<b>13,934</b>	<b>14,314</b>	<b>14,607</b>	<b>14,903</b>	<b>15,209</b>	<b>15,523</b>
<b>Other Expenditure</b>							
Depreciation	6,780	6,522	6,467	6,427	6,406	6,378	6,346
Revenue Contribution to Capital Outlay	0	250	306	345	367	394	427
Contribution to CDC	229	229	229	229	229	229	229
Interest Payable	2,742	2,619	2,549	2,559	2,650	2,522	2,508
New Loan interest requirements	0	0	86	134	184	223	272
Investment Income	(132)	(70)	(70)	(70)	(70)	(70)	(70)
Social Housing Development Fund	1,170	1,170	1,200	1,220	1,351	1,387	1,423
Provision for repayment of debt	1,821	1,821	1,821	1,821	1,821	1,821	1,821
New Loan capital requirements	0	0	38	41	57	71	89
Movement in Reserves	(913)	0	0	0	0	0	0
Transfer to/(from) HRA general reserve	0	1	(164)	229	523	1,093	1,542
<b>Sub Total Other Expenditure</b>	<b>11,698</b>	<b>12,542</b>	<b>12,462</b>	<b>12,936</b>	<b>13,517</b>	<b>14,048</b>	<b>14,585</b>
<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**General Reserves**

Opening Balance	2,778	2,778	2,779	2,615	2,845	3,367	4,461
Transfers to/(from)	0	1	(164)	229	523	1,093	1,542
<b>Closing Balance</b>	<b>2,778</b>	<b>2,779</b>	<b>2,615</b>	<b>2,845</b>	<b>3,367</b>	<b>4,461</b>	<b>6,003</b>





## Somerset West and Taunton

### Shadow Council – 21 February 2019

#### General Fund Revenue Budget and Capital Estimates 2019/20

This matter is the responsibility of the Leader of the Council, Councillor John Williams

Report Author: Andrew Stark, Interim Financial Services Manager, Deputy S151 Officer

#### 1 Executive Summary

- 1.1 The purpose of this report is to provide Members with the information required for Shadow Council to approve the proposed revenue budget and capital programme for 2019/20, and to approve its proposed Council Tax rate for 2019/20.
- 1.2 The final funding settlement was issued by Government at the end of January, and included details regarding general revenue grant funding, New Homes Bonus, and business rates retention baseline and tariff. Overall the funding available to deliver services has increased in 2019/20:
  - a) General funding, Revenue Support Grant has reduced by £443,641 to only £6,340 whilst Rural Services Delivery Grant has been kept at the same level of £241,506.
  - b) New Home Bonus funding has reduced by £151,768 (4%).
  - c) Retained business rates has increased by £972,599 reflecting business rates pooling and the 75% Business Rates Retention pilot scheme (18%).
  - d) Share of National Levy Account Surplus of £59,037.
  - e) An announcement of additional funding of £35,000 for each district council (covering 2018/19 and 2019/20) towards Brexit preparations.

#### 2 Recommendations

- 2.1 It is **recommended** that the General Fund Revenue Budget and Capital Programme for 2019/20 be agreed and that Shadow Council:-
  - (a) Notes the forecast Medium Term Financial Plan and Reserves position, and notes the S151 Officer's Robustness Statement as set out in sections 20 to 22 of this report.
  - (b) Approve the General Fund Net Revenue Budget 2019/20 with the following allocations

to be set aside from the Contingency Reserve:-

- (i) £20,000 as a maximum contribution towards community defibrillators
- (ii) £20,000 as maximum contribution towards community electrical charging points
- (iii) £50,000 towards pump prime business start-up grants
- (iv) £20,000 for extra town centre cover to assist with Rough Sleepers
- (v) £15,000 towards development of a Carbon Neutrality and Climate Resilience Plan
- (c) Approve the setting of a basic band D council tax of £159.63, comprising £157.88 for services and £1.75 on behalf of the Somerset Rivers Authority.
- (d) Approve the Special Expenses Precept of £3.02 for a basic band D council tax in respect of the unparished area of Taunton.
- (e) Approve that the minimum reserves level be set at £2.4m.
- (f) Approve the additions to the General Fund Capital Programme Budget of £17.774m for 2019/20, including the overall allocation of £13.864m in respect of the New Homes Bonus Growth Programme as set out in Table 10 and the £15.5m allocation for Community Infrastructure Projects as set out in Table 11 as amended with £1m moved from public transport to Education provision.

### 3 Risk Assessment

#### Risk Matrix

Description	Likelihood	Impact	Overall
Risk: The Council is unable to set a balanced budget	Slight (2)	Major (4)	Medium (8)
<i>Mitigation: Members approve options to balance the budget</i>	<i>Rare</i> (1)	<i>Major</i> (4)	<i>Low</i> (4)

#### Risk Scoring Matrix

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

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%

3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

## 4 Background Information

- 4.1 This is the first budget for the newly formed Somerset West and Taunton Council. The General Fund Revenue Account is the Council's main fund and shows the income and expenditure relating to the provision of services which residents, visitors and businesses all have access to including planning, environmental services, car parks, certain housing functions, community services and corporate services.
- 4.2 The Council directly charges individual consumers for some of its services through fees and charges. The expenditure that remains is mainly funded through a combination of local taxation (including council tax and a proportion of business rates) and through grant funding from Central Government (including Revenue Support Grant, New Homes Bonus and other non-ring-fenced and specific grants/subsidy).
- 4.3 Each year the Council has to set an annual budget which details the resources needed to meet operational requirements. The annual budget should be prepared within the context of priorities identified by Members which are embedded in the Council's current Corporate Plan.
- 4.4 The budget reflects transformation savings and shows a broadly balanced position for the medium term. However there is significant uncertainty from 2020/21 onwards with the implementation of the Fair Funding Review and resetting of business rates baselines.
- 4.5 Members have previously considered a range of important reports that provide background on the Council's financial position and the budget strategy for 2019/20.

## 5 Final Finance Settlement 2019/20

- 5.1 The Final Finance Settlement was received on 29 January 2019. This reconfirmed the funding indicated by the provisional settlement with the announcement of additional funding towards Brexit preparations – each district council to receive £35k over 2 years covering 2018/19 and 2019/20.
- 5.2 The impact of the Provisional Settlement was provided to All Councillors on the 14<sup>th</sup> December. The impact of the Finance Settlement is reflected in the MTFP and explanations are provided in the body of this report.

## 6 Fair Funding Review

- 6.1 Alongside the local government finance settlement, the Government confirmed that it is looking to implement the Fair Funding Review in April 2020 and published a further consultation on its progress.
- 6.2 This consultation covers all three key strands of the Review. In particular, it:

- Sets out the Government's preferred options on the structure of the relative needs assessment, including tier-specific foundation formulas and formulas to assess specific

services, the leading cost drivers for inclusion in these formulas, and analytical techniques to weight cost drivers;

- Sets out the Government’s preferred options on measuring the council tax base, in particular treatment of mandatory and discretionary council tax discounts, and the choice of council tax level to be used when calculating the resources adjustment; and
- Outlines options on high level principles that could underpin the choices of transition mechanism, and the definition and measurement of ‘baseline’ and ‘target’ between which the transition mechanism would be applied to.

## 7 General Grant Funding

7.1 The grant funding from Government is in line with the confirmed multi-year settlement (2016/17 to 2019/20), with the expected reduction in 2019/20 of Revenue Support Grant but with the unexpected maintenance of Rural Services Delivery Grant at the 2018/19 settlement level. There was confirmation that Negative Revenue Support Grant will be offset in 19/20 – this is worth £128k for Somerset West and Taunton and we had assumed that this would happen. Overall a 64% reduction in general revenue grant funding:

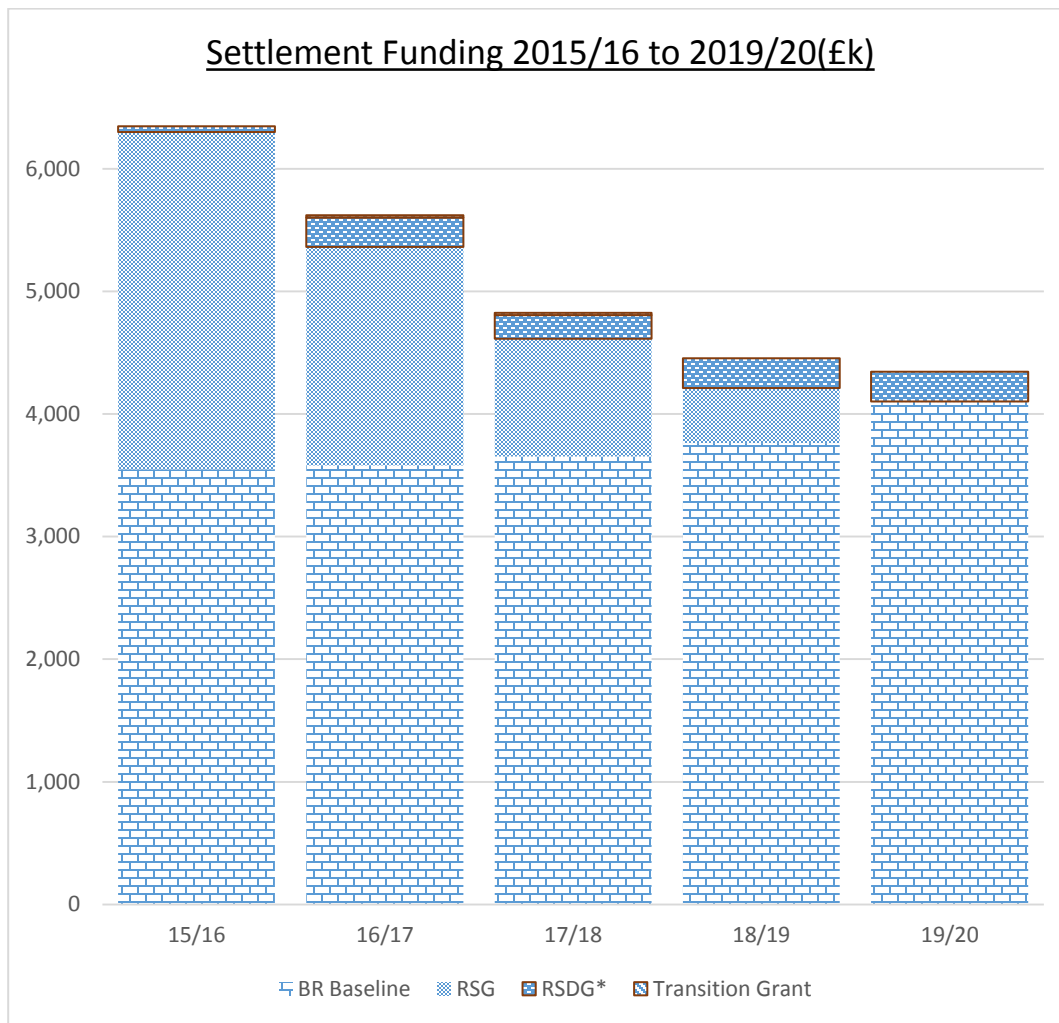
Table 1 – General Government Grant

	TDBC/WSC 2018/19 £	SWT 2019/20 £	Change £	
Revenue Support Grant	449,841	6,340	-443,641	-99%
Rural Services Delivery Grant	241,506	241,506	-	-
<b>Total General Revenue Grant Funding</b>	<b>691,487</b>	<b>247,846</b>	<b>-443,641</b>	<b>-64%</b>

7.2 The following table summarises how overall settlement funding has changed since 2015/16 (for comparison purposes the years 2015/16 to 2018/19 incorporate the combined funding assessments for Taunton Deane and West Somerset Councils). During this period the Settlement reduces by 33% in cash terms.

Table 2 – Settlement Funding

	15/16 £k	16/17 £k	17/18 £k	18/19 £k	19/20 £k
RSG	2,751	1,785	962	450	6
RSDG	46	240	194	242	242
Transition Grant	0	17	17	0	0
Business Rates Baseline	3,550	3,579	3,652	3,762	4,096
<b>Government Settlement</b>	<b>6,347</b>	<b>5,621</b>	<b>4,825</b>	<b>4,454</b>	<b>4,344</b>



## 8 Business Rates Retention and 75% Business Rates Pilot Bid

- 8.1 Local authorities receive a significant proportion of their funding through the Business Rates Retention (BRR) system. SWT will operate within the Somerset Business Rates Pool in 2019/20. In addition, the Pool has applied successfully to be a Pilot area for 75% BRR (one of 16 pilots nationally in 2019/20). Being a Pilot area is expected to bring significant financial benefits in 2019/20 for Somerset as a whole with the County and each District council taking a share.
- 8.1 From initial estimates the one-off gain through the Pilot is £6m to £7m in addition to a similar amount through pooling, of which Somerset West and Taunton's share of the gain would be between £1.2m and £1.4m. We are confident that the potential gains far outweigh the risk of being in a pool. At this stage we have therefore prudently assumed that an amount of £1.2m arising from the potential gain will be set aside within a special Economic Growth and Prosperity Fund. We will closely monitor the position of the Somerset Pool during the year such that no funding will be available from this Fund until any potential gains are realised.
- 8.2 The overall BRR position has improved not only through the Pilot scheme, but also through closer alignment in key assumptions between the Pool authorities regarding appeals and refunds. It is evident that the new "Check, Challenge, Appeal" arrangements introduced by the Valuation Office in 2017 have significantly reduced appeal volumes. We are therefore able to reduce our provision for appeals, which in turns means a greater proportion of business rates collected can be distributed to the councils. This is

considered an acceptable risk, particularly in view of the level of funds set aside in the Business Rates Smoothing Reserve and General Reserves.

- 8.3 The provisional estimates for Business Rates Income based upon the 75% BRR Pooling scheme is summarised in the table below.

Table 3a Collection Fund Rating Income Estimate 2019/20

	<b>Pool 75% £k</b>
Net Rates Payable (after reliefs)	59,895
Transitional Protection Payments	-528
Less: Allowance for bad debts	-382
Less: Allowance for appeals	-1,488
<b>Collectible Rates</b>	<b>57,497</b>
Less: Costs of Collection	-252
Less: Disregarded amounts: Renewable Energy	-205
<b>Non-Domestic Rating Income</b>	<b>57,040</b>
<b>SWT Share of NDR Income (44%)</b>	<b>25,098</b>

- 8.4 A summary of the new Retained Funding figure is shown in the table below. Business rates funding has been forecast to reduce in 2020/21 reflecting of the one year benefit of the 75% Pool Pilot together with an estimated reduction reflecting the Fair Funding Review and reset of business rates baseline from 2020/21.

Table 3b – Business Rates Retention Estimates

<b>Business Rates Retention Funding Estimates</b>	<b>2018/19 Budget £</b>	<b>2019/20 Estimate 75% Pool £</b>	<b>Indicative (50% Scheme) 2020/21 Estimate £</b>
Share of Business Rates Yield	21,881,460	25,097,568	22,838,760
Rates yield from renewable energy	200,336	204,926	209,101
Tariff to Government	-17,694,364	-20,046,813	-18,468,493
Tariff Adjustment – Negative RSG			-130,546
Fair Funding Review and Reset			-1,000,000
Levy Payment	-919,124	-1,842,946	-1,192,820
S31 Grant funding for Reliefs	2,087,839	3,116,011	2,100,000
<b>Net Retained Business Rates Funding</b>	<b>5,556,147</b>	<b>6,528,746</b>	<b>4,797,881</b>
Net Retained Rates Funding as % of yield	10.1%	11.4%	8.2%

## 9 New Homes Bonus

- 9.1 The New Homes Bonus (NHB) Grant system has been in place since 2011/12. It is funding allocated by Government, separate to Revenue Support Grant and Business Rates, which incentivises and rewards housing growth. The NHB grant is non-ring-fenced which means that the Council is free to decide how to use it. The Council only uses intends to use part of its NHB allocation each year towards the revenue budget for services. The remaining grant will be allocated to the Growth Earmarked Reserve.

- 9.2 The confirmed NHB Grant for 2019/20 is £3,809,209, which is £151,768 or 4% less than the comparable amount for 2018/19. Whilst this is a reduction, it is above our initial budget estimates which is good news for our growth aspirations.

Table 4 – New Homes Bonus 2019/20

	2018/19 £	2019/20 £	Change £	
Amount for revenue budget	788,397	720,000	-68,397	
Amount for growth	3,172,576	3,089,209	-83,371	
<b>New Homes Bonus Grant</b>	<b>3,960,977</b>	<b>3,809,209</b>	<b>-151,768</b>	<b>-4%</b>

- 9.3 The Government has not revised the changes to the New Homes Bonus methodology that were announced in 2017/18. The growth baseline remains at 0.4%, which sees a “top-slice” for growth which does not attract any NHB grant (In our previous forecast we had assumed that the growth baseline would be increased to 0.5%). In addition to the top-slice, the Government has reaffirmed that the legacy amounts included in the annual grant allocation is reduced to 4 years from 2018/19 (was 6 years in 2016/17, then 5 years in 2017/18).
- 9.4 The impact of this growth baseline is significant. The actual growth in Band D equivalents in 2018 was 881 or 1.3%. The impact is summarised within the following breakdown of the grant allocation related to 2019/20:

Table 5 – New Homes Bonus 2019/20 Calculation

Net Additions (October 2017 to October 2018)	995
Net increase in empty homes	-47
Net housing growth	948
Net housing growth weighted as Band D equivalents (=1.31%)	881.4
0.4% of October 2018 stock base – Band D equivalents	-268.6
Rewarded units =0.81% growth – Band D equivalents	612.9
NHB Grant for growth (£1,671.45* x 80%** x 612.9)	£819,491
Affordable housing units growth (April 2017 to March 2018)	114
NHB Grant for affordable housing growth (£350 x 80%** x 114)	£31,920
<b>Total NHB Grant allocation related to 2019/20</b>	<b>£851,411</b>

\*£1,671.45 = the national average Band D council tax for 2018/19

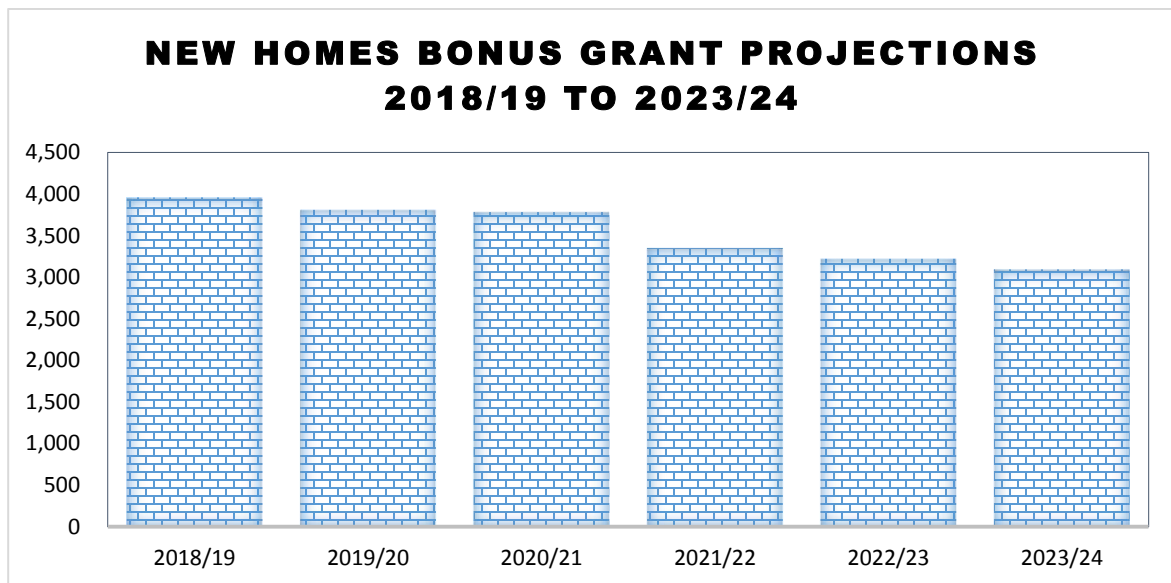
\*\*growth is rewarded 80% to lower tier (District), 20% to upper tier (County)

- 9.5 As this shows, housing growth (net of new housing, demolitions and increase/decrease in empty homes) of 268.6 Band D equivalents has not been rewarded in 2019/20. This has resulted in a loss of funding of approximately **£359,161** due to the top-slice for 0.4% growth.
- 9.6 The following table and graph summarises the allocations of NHB since 2018/19 and including the MTFP forecast up to 2023/24.

Table 6 – New Homes Bonus Grant Forecast

	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	Total £k
2015/16	1,003						1,003
2016/17	841	841					1,682
2017/18	1,258	1,258	1,258				3,774
2018/19	858	858	858	858			3,432
2019/20		851	851	851	851		3,404
2020/21			816	816	816	816	3,264
2021/22				825	825	825	2,475
2022/23					727	727	1,454
2023/24						727	727
<b>Total</b>	<b>3,960</b>	<b>3,808</b>	<b>3,783</b>	<b>3,350</b>	<b>3,219</b>	<b>3,095</b>	<b>21,215</b>

9.7 Despite the reduction in the level of “reward” for housing growth, the growth trajectory indicates that funding through NHB should remain considerable.



## 10 Council Tax

10.1 The new Council is required to address the issue of the different amounts of council tax that have been previously set by the former councils of Taunton Deane and West Somerset. The new Council is required to set a ‘harmonised’ council tax rate such that all residents within the new council area pay the same amount of district level council tax relative to the banding of their property. Although legislation would have allowed for harmonisation to be implemented over a number of years, the relative closeness of the existing band D council tax amounts, means that for practical purposes harmonisation could be implemented immediately.

10.2 The current basic band D council tax amounts are £152.88 for TDBC and £155.56 for WSC respectively. For initial financial planning purposes it was assumed that the initial ‘harmonised’ rate for 2019/20 would be £157.88 (the lower TDBC rate of £152.88 increased by £5). Thereafter, the Medium Term Financial Plan reflects a financial planning assumption that Council Tax charges will increase by 2.99% each year from 2020/21.



- 10.3 The Secretary of State has confirmed within the Provisional Settlement that Shire Districts are able to increase council tax by the greater of 2.99% or £5 (on a Band D) in 2019/20 without the need for a referendum.
- 10.4 Shadow Executive has recommended the option to increase Band D Council Tax to £157.88 which equates to the £5 annual increase on current TDBC rate of £152.88 and an increase of £2.32 on current WSC Band D, and this is reflected in the proposed budget for 2019/20. The Band D tax rate including £1.75 for Somerset Rivers Authority will be £159.63 per year or £3.05 per week.
- 10.5 The approved Tax Base for 2019/20 is 56,622.8 Band D Equivalents, an increase of 1,048.6 (1.9%) compared to 2018/19 tax base of TDBC and WSC. The budget estimates for Council Tax income for SWT is therefore 56,622.8 x £157.88 = £8,939,605. This represents a total increase of £405,662 compared to the previous year. The budget estimates are calculated as follows.

	£
Council Tax Income Budget 2018/19 (TDBC & WSC)	8,553,943
Increase due to change in Tax Base (Band D equivalents)	160,304
Increase due to proposed increase in Tax Rate	<u>245,358</u>
Council Tax Income Estimate 2019/20	<u>8,939,605</u>

## 11 Special Expenses/Unparished Area Budget

- 11.1 Shadow Executive are minded to keep the Special Expenses (Unparished Area) precept at £3.02 on a Band D property. Due to an increase in tax base this will raise an additional £866 per year in tax income.
- 11.2 The proposed budget for 2019/20 is therefore £46,399, entirely funded through Special Expenses levied within the unparished area.

## 12 Somerset Rivers Authority

- 12.1 The Somerset Rivers Authority (SRA) remains unable to raise their own precept and it is therefore proposed to follow the same arrangements as previous for TDBC and WSC. For 2019/20 it is proposed that the Band D amount will be £1.75 and this will raise £99,090 in funding for the SRA from the Council in 2019/20.

## 13 2019/20 Draft Budget Summary

- 13.1 The following tables provides a summary of the Budget position for 2019/20.

	<b>TDBC/WSC Budget 2018/19 £</b>	<b>SWT Budget 2019/20 £</b>
Total Spending on Services	14,842,723	14,752,279
Somerset Rivers Authority Contribution	96,981	99,090
Revenue Contribution to Capital	440,500	375,000
Capital Debt Repayment Provision (MRP)	543,110	455,010
Interest Costs	175,420	168,530
Interest Income	-642,000	-642,000
Parish Precepts	1,828,378	1,828,378
Special Expenses	45,534	46,983
Transfers to Earmarked Reserves	2,957,089	5,923,840
Transfer to Economic Growth and Prosperity Fund	0	1,200,000
<b>AUTHORITY EXPENDITURE</b>	<b>20,287,735</b>	<b>24,207,110</b>
Retained Business Rates (including pool and pilot 2019/20)	-5,556,147	-6,528,746
Somerset BRR Pilot		-1,200,000
Share of Levy Surplus		-59,037
Revenue Support Grant	-449,981	-6,340
Rural Services Delivery Grant	-241,506	-241,506
New Homes Bonus	-3,960,977	-3,809,209
Surplus(-)/Deficit on Collection Fund – Council Tax	-115,977	-116,311
Surplus(-)/Deficit on Collection Fund – Business Rates	541,689	-1,331,905
Demand on Collection Fund – Parishes and SER	-1,873,912	-1,875,361
Total Council Tax Raised by Council	<b>8,630,924</b>	<b>9,038,695</b>
Divided by Council Tax Base	55,574.2	56,622.8
<b>Council Tax Band D – SWT Services</b>	<b>153.56</b>	<b>157.88</b>
<b>Council Tax Band D – Somerset Rivers Authority</b>	<b>1.74</b>	<b>1.75</b>
<b>Council Tax Band D – SWT including SRA</b>	<b>155.30</b>	<b>159.63</b>
<b>Cost per week per Band D equivalent</b>	<b>2.98</b>	<b>3.05</b>

The table below shows the movement in spending and funding between 2018/19 and 2019/20:-

	<b>£k</b>	<b>£k</b>
<b>Net Expenditure Base Budget 2018/19</b>		<b>20,288</b>
Inflation costs	503	
Annual pension deficit payment increase	41	
Somerset Waste Partnership	77	
Contribution to Citizens Advice Bureau	45	
Leisure Contract	399	
Other Service Changes	42	
Transformation savings	-1,638	
Service Resilience	266	
Transition Costs	338	
New Council – Savings per business case	-360	
Increase fees and charges	-64	
Deane House project and maintenance costs	137	
Increased IT Costs	126	
Financing Costs (net interest income and repayment of borrowing)	-160	
<b>Subtotal costs</b>		<b>-248</b>
Contribution to Economic Growth and Prosperity Fund	1,200	

Business Rates Smoothing Reserve	3,463	
Reduction in NHB contribution to reserves	-84	
Remove previous year transfers to reserves	-210	
Use of Leisure Reserve	-62	
Other Reserve Adjustments	-140	
<b>Subtotal Reserve movement</b>		<b>4,167</b>
<b>Net Expenditure Base Budget 2019/20</b>		<b>24,207</b>

	<b>£k</b>	<b>£k</b>
<b>Total Funding 2018/19</b>		<b>-20,288</b>
Reduction in RSG	444	
Increased Retained Business Rates	-973	
Somerset Rates Pool	-1,200	
Share of Levy Surplus	-59	
Reduction in NHB	152	
Increased funding from Council Tax	-409	
Collection Fund Surplus	-1,874	
<b>Subtotal - change in funding</b>		<b>-3,919</b>
<b>Total Funding 2019/20</b>		<b>-24,207</b>

## 14 Medium Term Financial Plan (MTFP) Summary

14.1 The current MTFP forecast is summarised below, reflecting the proposed budget for 2019/20 and the updates described in this report.

### MTFP Summary 2019/19 to 2023/24

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Services Costs	14,842,723	14,752,279	14,229,828	14,449,146	15,154,436	15,740,866
Net Financing Costs	517,030	356,540	485,900	470,260	633,370	416,480
SRA Contribution	96,981	99,090	100,675	102,286	103,923	105,586
Special Expenses	45,534	46,399	47,049	47,708	48,375	49,053
Earmarked Reserves-Growth	3,172,576	3,089,209	3,223,112	2,840,198	2,758,964	2,634,196
Earmarked Reserves-Other	-215,487	2,834,631	232,194	250,194	194	194
Economic Growth and Prosperity	0	1,200,000	0	0	0	0
<b>Net Expenditure</b>	<b>18,459,357</b>	<b>22,378,478</b>	<b>18,318,758</b>	<b>18,159,792</b>	<b>18,699,262</b>	<b>18,946,375</b>
Retained Business Rates	-5,556,147	-6,528,746	-4,797,881	-4,871,689	-4,945,497	-5,019,305
Business Rates prior year surplus/deficit	541,689	-1,331,905	0	0	0	0
Somerset BRR Pilot		-1,200,000				
Share of National Levy Account Surplus		-59,037				

Revenue Support Grant	-449,981	-6,340	0	0	0	0
Rural Services Delivery Grant	-241,506	-241,506	-241,506	-241,506	-241,506	-241,506
New Homes Bonus	-3,960,977	-3,809,209	-3,823,112	-3,390,198	-3,258,964	-3,134,196
Council Tax	-8,533,943	-8,939,605	-9,354,180	-9,787,916	-10,241,447	-10,716,043
Council Tax–SRA	-96,981	-99,090	-100,675	-102,286	-103,923	-105,586
Council Tax–Special Expenses	-45,534	-46,399	-47,049	-47,708	-48,375	-49,053
Council Tax prior year surplus/deficit	-115,977	-116,311	0	0	0	0
<b>Net Funding</b>	<b>18,459,357</b>	<b>22,378,478</b>	<b>18,364,403</b>	<b>18,441,303</b>	<b>18,839,712</b>	<b>19,265,689</b>
<b>Budget Gap</b>	0	0	-45,645	-281,511	-140,450	-319,314
Gap – Change on Previous Year	0	0	-160,645	-235,866	141,061	-178,864

### Transformation, Transition and Services Resilience

14.2 The MTFP position above already includes the projected savings arising through the implementation of the Transformation Business Case and formation of the new council, as summarised below. Without these savings the forecast budget gap would be a deficit of **£2.057m per year** by 2023/24. The savings from transformation included in the MTFP above are:

Table 7 – Transformation Savings

	2018/19	2019/20	2020/21	2021/22	2022/23
	£k	£k	£k	£k	£k
Transformation Savings	197	1,835	1,853	1,871	1,871
New Council Savings		360	420	505	505
<b>Total Annual Savings</b>	<b>197</b>	<b>2,195</b>	<b>2,273</b>	<b>2,376</b>	<b>2,376</b>

14.3 2019/20 is a critical period with the new Council launch and significant change in staffing levels, business processes and ways of delivering services to our customers. This carries a degree of financial risk. The draft budget requirement has been updated since the Shadow Executive and Shadow Scrutiny meetings earlier this month, as explained below.

14.4 Further analysis has recently been completed to determine the transition resource and business resilience required within the Customer Function. This has been informed by the recruitment process where we have a clearer picture of the working hours (full-time equivalent) for staff appointed into roles, and a prudent up to date assessment of when financial benefits through channel shift and business process development may be fully delivered. This has led management to a reassessment of the estimated resources required during this transition period, with an additional transition costs budget of £463k included in the updated draft budget proposal.

14.5 Whilst looking in more detail at the longer term structure requirements within the Customer function and the links between activities across the various functions, a risk has been identified that operational capacity may need to be higher at least until the full benefits of channel shift and process improvements are delivered. In light of this risk, highlighted following the recent detailed assessment of operating capacity requirements,

additional temporary resilience for approximately 18 months, with an estimated cost of £546k is included in the updated draft budget proposal.

- 14.6 Therefore the total resources required over the next 18 months will cost an estimated £1.009m. The General Fund share of the extra funding requested is £737k. Of this amount, £604k can be fully funded from existing budget and reserves, and therefore have no impact upon the 2019/20 Net Budget. With regard to 2020/21, forecast costs to be met from the General Fund are £133k with £18k being met from existing budgets and reserves. The impact on the MTFP is therefore to reduce the projected surplus in 2020/21 on the MTFP by £115k, from £161k to £46k. The full impact is highlighted in the table below and is reflected elsewhere within this report.

#### General Fund - MTFP Summary 2019/19 to 2023/24

	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
<b>Net Expenditure</b>	<b>22,379</b>	<b>18,165</b>	<b>18,121</b>	<b>18,661</b>	<b>18,908</b>
<b>Net Funding</b>	<b>22,379</b>	<b>18,326</b>	<b>18,402</b>	<b>18,801</b>	<b>19,227</b>
<b>Previous Budget Gap Forecast (Shadow Scrutiny 5 Feb/Shadow Executive 11 Feb)</b>	<b>0</b>	<b>-161</b>	<b>-281</b>	<b>-140</b>	<b>-319</b>
Service Resilience Costs	266	133			
Transition Costs	338				
Funded by:					
2018/19 Underspend carried forward	-141				
Use of Contingency Budget	-149				
Business Rates Retention	-269	-15			
Other Earmarked reserves	-45	-3			
<b>Impact on MTFP</b>	<b>0</b>	<b>115</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revised Budget Gap</b>	<b>0</b>	<b>-46</b>	<b>-281</b>	<b>-140</b>	<b>-319</b>

- 14.7 The impact on the Housing Revenue Account is £272k. The additional costs of £223k in 2019/20 can be fully funded from budget contingency and earmarked reserves with no impact upon the Net Budget. The £49k needed in 2020/21 requires an additional transfer of £49k from HRA general reserves in order to have a balanced budget for 2020/21. This is reflected in the HRA Draft Budget report.

#### Contract Procurement Savings

- 14.8 It is anticipated that there will be significant revenue savings arising from a contract procurement exercise. Although there will be some additional costs during the first year of the new contract (2019/20), savings thereafter are significant. The impact of this procurement is included in the MTFP projections, subject to imminent contract completion.

### 15 General Reserves

- 15.1 The current reserves position is shown below. The forecast Outturn for the 2018/19 budget is currently being reviewed for Taunton Deane and West Somerset but recent projections predict a combined underspend of £163,000. In addition it has been approved that £24,000 of the predicted underspend and £509,000 from General Reserves is used to fund the Transformation Programme during 2018/19. The table below therefore gives a provisional forecast of the reserves position at the start of the next financial year.

Table 8 – General Reserves Balance

	£k
Balance Brought Forward 1 April 2018	3,198
2018/19 Projected Outturn Underspend	163
Use of underspend for Transformation	-24
Use of General Reserve for Transformation	-509
<b>Projected Balance 31 March 2019</b>	<b>2,828</b>
Recommended Minimum Balance	2,400
Projected Balance above recommended minimum	428

15.2 A review of the level of General Reserves has recently been undertaken for the new council as per the attached Appendix B. Following this review it is recommended that the minimum balance of general reserves is set at £2.4m. Given the future funding risks it is strongly advised to maintain reserves above the minimum.

## 16 2019/20 General Fund Capital Programme

16.1 The current capital strategy includes the following basis for prioritising schemes:

- 1) Business Continuity (corporate/organisational/health and safety)
- 2) Statutory Service Investment
- 3) Growth / Transformation
- 4) Invest to Save
- 5) Other

16.2 The recommended General Fund Capital Programme for 2019/20 totals £17.774m including part of the overall allocations for NHB Growth Schemes and Community Infrastructure Levy. Table 9 details bids submitted for General Fund Schemes. The table summarise the bids that have been presented by services for consideration.

16.3 The current General Fund Capital Programme in 2018/19 includes approved projects totalling £60.502m and is shown in Appendix A.

**Table 9 – 2019/20 Capital Programme**

Scheme	Cost £	Priority	Proposed Funding					Total Funding £
			RCCO £	Grants/ S106 £	Growth Reserve £	Capital Receipts £	Borrowing £	
<b>DLO Schemes:</b>								
Vehicle Replacement	152,000	2	152,000					152,000
Plant and Equipment	23,000	2	23,000					23,000
<b>Sub-Total</b>	<b>175,000</b>		<b>175,000</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>175,000</b>
<b>General Schemes:</b>								
Lifeline Equipment	31,000	1	31,000					31,000
DFGs	1,200,000	2		1,200,000				1,200,000
Leisure Grants to Clubs and Parishes	15,000	5	15,000					15,000
TDBC Replacement Play Equipment	76,740	2				76,740		76,740
Refresh of End User Devices	50,000	1	50,000					50,000
Microsoft 365 Migration	100,000					100,000		100,000
New/Replacement Waste Containers	100,000	2	100,000					100,000
Members IT Equipment Replacement	4,000	2	4,000					4,000
Grants to RSLs	495,000	2		495,000				495,000
Watchet East Quay Development	1,500,000	5					1,500,000	1,500,000
Great Western Railway	5,000,000						5,000,000	
Leisure	1,000,000						1,000,000	
<b>Sub-Total</b>	<b>9,746,740</b>		<b>375,000</b>	<b>1,695,000</b>	<b>0</b>	<b>176,740</b>	<b>7,500,000</b>	<b>9,746,740</b>
<b>NHB Growth Schemes:</b>								
Taunton Town Centre regeneration	991,000	3			991,000			991,000
Employment site enabling and innovation to promote Growth	536,000	3			536,000			536,000
Taunton Strategic Flood alleviation	500,000				500,000			500,000
<b>Sub-Total</b>	<b>2,027,000</b>		<b>0</b>	<b>0</b>	<b>2,027,000</b>	<b>0</b>	<b>0</b>	<b>2,027,000</b>
<b>Community Infrastructure Levy</b>								
Cycle and pedestrian improvements	1,000,000			1,000,000				
Education Provision	4,000,000			4,000,000				
Public transport improvements	1,000,000			1,000,000				
<b>Sub-Total</b>	<b>6,000,000</b>							
<b>Grand Total</b>	<b>17,773,740</b>		<b>375,000</b>	<b>7,695,000</b>	<b>2,027,000</b>	<b>176,740</b>	<b>7,500,000</b>	<b>17,773,740</b>

**Capital Schemes Explained**

16.4 **DLO Vehicle Replacement £152k:** This provides the DLO with a budget for the cost of the rolling programme of vehicle replacement. This is funded from a yearly RCCO which is recovered from the DLO through capital charges.

16.5 **DLO Plant £23k:** This provides the DLO with a budget of £23k per year to replace small capital items of plant and equipment. This is funded from a yearly RCCO which is recovered from the DLO through capital charges.

16.6 **Deane Helpline £31k:** The service is provided under 1,800 Lifeline units installed in

customer's homes. These units have a warranty of three years and on average a useful life of around 7 years before they require replacement. Some units do last longer but the average unit should be expected to remain in use for seven years. Each year we therefore need to replace 1/7th of our stock at an estimated cost of £28,000. Deane Helpline has also experienced significant growth over the last six months and additional units will be needed to maintain this growth therefore an additional £3,000 is included to fund yearly increase of 30 customers per year.

- 16.7 **Disabled Facility Grants (Private Sector) £1,200k:** The Council has a statutory duty to provide grants to enable the adaptation of homes to help meet the needs of disabled residents. The grants are means-tested and following confirmation of the grant to be received from Somerset County Council's Better Care Fund, the Council will receive £1,200,000k, providing the necessary funding to make this scheme affordable.
- 16.8 **Leisure Grants to Clubs and Parishes £15k:** Annual capital grant scheme for awards to voluntary village halls, community centres and sports clubs.
- 16.9 **Play Equipment Replacement £77k:** Annual capital scheme to replace play equipment within the Council's 104 children's playgrounds.
- 16.10 **Refresh of End User Devices £50k:** Annual refresh budget which plans for laptops and tablets to be replaced on a rolling five year basis and smart devices every three years.
- 16.11 **Microsoft 365 Migration £100k:** A cloud based replacement of our Microsoft office/email/sharepoint systems as our current Office 2013, Sharepoint 2013 and Exchange 2013 systems become unsupported.
- 16.12 **Waste Containers £100k:** This provides an annual budget of £100k to purchase new and replacement waste and recycling containers (bins and boxes) as part of the ongoing costs of the Somerset Waste Partnership.
- 16.13 **Members IT Equipment £4k:** This is an annual budget for replacement of IT equipment for members. £4k is included within the RCCO budget estimates for 2019/20 for this scheme.
- 16.14 **Grants to Registered Social Landlords £495k:** This scheme is ring fenced for the use of provision of new affordable housing. The funds consist of funding secured through the planning obligation process, capital receipts ring fenced for affordable housing and other capital receipts collected from developments in lieu of affordable housing on site.
- 16.15 **Watchet East Quay Development £1,500k:** Capital financing loan to support redevelopment of this site by The Onion Collective as part of their wider bid to the Coastal Communities Fund.
- 16.16 **Growth Schemes:** See Section 19 below.

## 17 Funding the General Fund Capital Programme

17.1 Funding of capital investment by the Council can come from a variety of sources:

- Capital Receipts
- Grant Funding
- Capital Contributions (e.g. from another Local Authority / s.106 Funding)
- Revenue budgets/reserves Page 56 referred as RCCO – Revenue Contributions to



Capital Outlay)

- Borrowing

17.2 Table 9 above summarises the proposed funding of the Capital Programme for 2019/20 and shows that the proposed Capital Programme for 2019/20 is fully funded through a combination of revenue contributions, capital grants, S106 contributions, the NHB growth reserve and capital receipts.

### **Funding Sources Explained**

17.3 **Capital Receipts General:** These come from the sale of the Council's assets. The Council also receives regular receipts from the sale of Council Houses (Right to Buys), and a proportion is retained by the General Fund.

17.4 **Capital Receipts Housing (non-HRA):** These are capital receipts received which are ring-fenced to be spent on affordable housing initiatives. The principle has been supported by Full Council that any future external funding received for affordable housing should be allocated to affordable housing projects and automatically added to the Capital Programme.

17.5 **Grant Funding:** The Council receives capital grant for Disabled Facilities Grant. The confirmed grant for 2018/19 is £1,180k. This funding is now rolled into the Better Care Fund (BCF) and it is the responsibility of the commissioners of the fund – the Clinical Commissioning Group (CCG) and Somerset County Council – to decide how the money is allocated. The Council has representation on various groups to try and ensure our interests are protected.

17.6 **Capital Contributions:** This could take the form of capital contributions from other authorities or developers in the form of s.106 funding.

17.7 **Revenue Funding (RCCO):** The Council's draft budget includes an annual sum of £375k to fund capital expenditure from General Fund revenue budgets which, if supported through the approval of the 2019/20 Capital Programme, would be affordable.

17.8 **Borrowing:** This would be in the form of taking out a loan either from the markets or through the PWLB which would incur interest costs chargeable to the revenue budget. There is also "internal borrowing" which is treated the same as external borrowing for funding purposes, but uses cash balances rather than taking out a physical loan.

17.9 **Capital Reserve:** The Council has an earmarked Capital Reserve holding revenue resources previously set aside to fund capital spending. We currently hold no unallocated capital reserves.

## **18 Capital Programme for Growth and Regeneration 2019/20**

18.1 TDBC has previously approved the allocation £16.6m of New Homes Bonus (NHB) funding over the five year period 2016/17 to 2020/21, to support its priorities relating to growth and regeneration. A number of spend categories were approved, as follows:

- Taunton Strategic Flood Alleviation
- Major Transport Schemes
- Town Centre Regeneration
- Employment site enabling and promoting enterprise and innovation
- Marketing, promotion and inward investment

- Supporting urban extension delivery
- Preparation of Local Development Orders

18.2 Full details of this allocation and the associated principles of spending were provided in the report to the TDBC Executive dated 3 December 2015. This highlighted the fact that the profile of spending over the five year period was indicative and would be refreshed annually, to ensure that spending plans remained aligned with an evolving picture of external funding secured, opportunities for new funding and new growth priorities.

18.3 The Growth and Regeneration Capital Budget approved to date totals £6.370m. If approved, this further £2.027m will bring the total approved NHB Growth and Regeneration Capital Budget to £8.397m.

18.4 Having now carried out the above mentioned annual review, a refreshed annual profile of spending on growth is proposed in the table below.

**Table 10 - Indicative Growth and Regeneration Spend Profile**

New Homes Bonus Forecast as at January 2019							
2019 Revised Spending profile	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Totals
	Actual	Actual	Forecast	Indicative	Indicative	Indicative	
	£k	£k	£k	£k	£k	£k	£k
Major transport schemes	0	0	650	0	2,875	625	<b>4,150</b>
Taunton Town Centre regeneration	14	161	875	991	427	309	<b>2,777</b>
Employment site enabling and innovation to promote Growth	0	16	85	536	1,600	1,500	<b>3,737</b>
Taunton Strategic Flood Alleviation	0	152	483	500	2,000	2,500	<b>5,635</b>
New Garden Communities	0	0	0	0	0	0	<b>0</b>
Marketing Promotion and Inward Investment	102	110	29	0	0	0	<b>242</b>
Preparation of LDO's	59	0	0	0	0	0	<b>59</b>
<b>Total expected investment</b>	<b>175</b>	<b>440</b>	<b>2,122</b>	<b>2,027</b>	<b>6,902</b>	<b>4,934</b>	<b>16,600</b>

18.5 Members will note from the above table that the spending categories remain as originally approved and that no change is proposed to the overall allocation of £16.6m over the period 2016/17 to 2021/22.

18.6 Within the overall £16.6m allocation, members will note that changes to the original profile) are now proposed in some categories, namely:

- **Major Transport Schemes** – overall allocation increased slightly to £4.1m due to re-profiling of costs, with the delivery of the Variable Messaging and Pay on Foot systems in progress. The contribution to the J25 improvement scheme has been re-profiled to 2020/21 in line with the anticipated delivery of this project.
- **Taunton Town Centre Regeneration** - overall allocation decreased slightly £2.8m due to re-profiling of costs, while retaining the aim of enabling the delivery of major Town Centre schemes, such as Firepool and Coal Orchard.

- **Employment sites, enterprise and innovation** – increase to overall allocation to £3.7m due to a reallocation from Marketing Promotion to provide for the Innovation centres.
- **Taunton Strategic Flood Alleviation** - The allocation towards the Flood Alleviation project has been increased by reallocation from New Garden Communities in line with the Councils commitment to flood relief.

18.7 Subject to business case, the Council could also consider the use of prudential borrowing to provide additional capital resources.

## 19 Community Infrastructure Levy (CIL)

19.1 TDBC introduced a Community Infrastructure Levy (CIL) on 1 April 2014. The Community Infrastructure Levy is a tariff charged on residential development (excluding Taunton town centre and Wellington) and retail development outside Taunton and Wellington town centres. The principle behind CIL is that most development has some impact on infrastructure and the developer should contribute to the cost of providing or improving it. CIL applies to new floor space and charges are based on the size, type and location of the new development.

19.2 A separate report regarding CIL and future allocations for 2019/20 to 2022/23 was considered by TDBC Scrutiny Committee in September and Shadow Executive on 26 September. The projected balance of CIL receipts as at 31 March 2019 is anticipated to be £4m. The report detailed proposed CIL allocations of £15.5m for the period 2019/20-2022/23 for member consideration. The proposed CIL allocations are for infrastructure categories associated with the delivery of infrastructure projects for the Taunton Garden Town and are in addition to the £16.6m New Homes Bonus already committed to delivering the Council's growth agenda. The report to Shadow Executive included a recommendation that the proposed investment of Community Infrastructure Allocations be included within the recommended capital programme for 2019/20.

19.3 The proposed CIL allocations for the period 2019/20 to 2022/23 are set out in the table below.

**Table 11: CIL allocations for the period 2019/20-2022/23 (including payment in kind land/infrastructure)**

Taunton Garden Town CIL projects	2019/20 £	2020/21 £	2021/22 £	2022/23 £	Total 2019-2023 £
Cycle and pedestrian improvements	1,000,000			500,000	1,500,000
Education provision	4,000,000		1,000,000	2,000,000	7,000,000
Public transport improvements	1,000,000	1,000,000			2,000,000
Taunton Town Centre Regeneration		1,000,000	500,000		1,500,000
Surface Water and Flood Risk Mitigation		1,000,000	2,000,000		3,000,000
Community Development				500,000	500,000
<b>Total allocations</b>	<b>6,000,000</b>	<b>3,000,000</b>	<b>3,500,000</b>	<b>3,000,000</b>	<b>15,500,000</b>

## **20 Robustness of Budget Estimates and Adequacy of Reserves – Report by S151 Officer**

- 20.1 Under Section 25 of the Local Government Act 2003 the S151 officer is required to report to Council on the robustness of the estimates made for the purpose of calculations of the budget and the adequacy of the proposed financial reserves. These
- 20.2 The Draft Budget for 2019/20 brings together the previous budgets of Taunton Deane and West Somerset Councils and has allowed for best estimates of expenditure and income including assumptions for increases and decreases due to trends and future influences such as inflation. It reflects commitments necessary to maintain service levels, and with demand-led budgets this inevitably entails a degree of judgement.
- 20.3 There has been a significant degree of scrutiny of the proposed budgets and savings by:
- The finance team – with several staff holding professional accountancy qualifications
  - Senior Leadership Team and Leadership group
  - Portfolio Holders
  - Shadow Scrutiny Committee
- 20.4 These examinations of the budgets have led to refinements and provide considerable assurance about the robustness of the estimates.
- 20.5 Transforming the way council services are delivered and the formation of the new, single council will deliver significant savings to the combined community. Savings through joint transformation have been built into the Medium Term Financial Plan (MTFP), including further savings arising from the formation of the new Council, in line with the business case. There is a significant degree of risk that cost estimates and the delivery of savings will change.
- 20.6 From my perspective as your S151 Officer, the budget proposal shared by Executive is based on the most accurate information available and therefore presents an accurate reflection of the Council's financial position. However, as referred above, 2019/20 carries significant risk and it is therefore very important that contingencies and reserve levels are maintained.
- 20.7 There are key areas of uncertainty beyond 2019/20, and other potential risks in the shorter term that I have considered in commenting on the proposed budget. These are explained in further detail below and include:
- The budget and MTFP assumes relative stability in business rates funding, which is known to be volatile – a large cost of appeals or other reductions could conceivably reduce funding to the Baseline or Safety Net
  - The budget relies on significant savings through transformation being delivered.
  - There is significant future uncertainty in terms of Government funding beyond 2019/20 with the unknown impacts of the next Spending Review, the Fair Funding Review, business rates baseline and tariff resets, and New Homes Bonus changes.
- 20.8 Other key risks to be aware of are:
- The Council is exposed to financial risk in its business rates funding estimates. Business Rates Retention (BR) funding is based on the estimates completed in

January each year. Estimates reflect anticipated growth, mandatory and discretionary discounts/reliefs and collection rates. Financial provisions are made for potential losses for appeals and other reductions, however experience shows that business rates funding can be volatile despite prudent estimates. There are also timing differences between financial years inherent in the required accounting arrangements. The Council seeks to mitigate the budget risk of reductions in funding by holding funds in a Business Rates Smoothing Reserve.

- Business Rates Pooling and 75% BRR Pilot: The County and four Districts in Somerset form the Somerset Business Rates Pool, which will be a pilot area (for one year only) for 75% Retention in 2019/20. Pooling seeks to reduce the levy paid to Government on growth in business rates income above the funding baseline. The pool will distribute gains from levy savings in the form of a 'dividend' at the end of each financial year. Being in a pool increases risk with a lower safety net, although the safety is more beneficial under the 75% scheme (95% of baseline as opposed to 92.5%) for the Pool. In mitigation the Pool plans to cover individual authority safety net costs from pooling gains before any dividend is issued however there is no guarantee the gains will be sufficient to cover large scale losses. The risk is considered to be low in this respect, but will be carefully monitored. The proposed budget for 2019/20 includes a reasonable estimate of the pooling and pilot gain, with the funding to be set aside in an Economic Growth and Prosperity Fund.
- The assessment of minimum level of reserves has been reviewed for the new council and it is recommended this balance is set to £2.4m. Should the budget be approved, the General Fund Reserves are forecast to be £2.8m, leaving some essential headroom for unforeseen events during the coming financial year.
- Brexit: A downturn in the economy for example through Brexit would impact on our key income streams including business rates. A 5% reduction in development control, car parking, and building control alone would result in a loss in excess of £300k per annum. The final finance settlement has announced some additional funding (£35k over 2 years) towards Brexit preparations.
- Council Tax Reduction Scheme: Members have approved the scheme for 2019/0. We will continue to monitor the financial impact on the Council. The key risk on this item is on the level of take-up.
- Housing Benefits / Subsidy: The administration funding has once again reduced in 2019/20. It is possible that the responsibility for this funding could shift to local authorities in future years (linked to the 100% retention of business rates), and we will monitor any consultations on this closely.
- Subsidy budgets are very difficult to estimate due to the fluctuating volume of claims received and the different levels of subsidy payable. Adjustments reducing the grant subsidy can also be made for local authority error. The total benefit subsidy budget is approximately £40m – and therefore small fluctuations in this budget can have a big impact on the budget of the Council. Systems are in place to ensure this is monitored on a monthly basis. In addition, assumptions on the level of subsidy payable on local authority overpayments are at a prudent level.
- New Homes Bonus (NHB) Forecasts and Growth Ambitions: the current housing trajectory indicates the level of NHB grant remains 'good' for the medium term,

despite reductions in the reward due for growth that is delivered. The Growth Programme is currently projected to be fully funded through NHB but this will continue to be carefully monitored and spending plans reviewed each year in line with resources available.

### **Government Funding**

- 20.9 The grant funding from Government is in line with the confirmed multi-year settlement. This provides confidence in our estimates of revenue support funding up to 2019/20. As explained in the main report, RSG is as expected whilst RSDG has been maintained at 2018/19 funding levels. The final settlement confirmed on 29 January.
- 20.10 The Government continue to develop their policy on local government finance. In this year's settlement the Secretary of State again indicated the plans for local government (as a whole) to retain 75% of business rates by 2020, and the move to 100% retention of business rates continues to be explored. There is therefore significant uncertainty regarding the funding position for 2020/21 onwards, with the funding system due to be updated following the Spending Review, Fair Funding Review and Business Rates Retention reform – all due to be implemented from April 2020.

### **Council Tax**

- 20.11 On council tax, the Government have once again set the upper limit at a £5 annual increase for district councils on a Band D property, and have not imposed an upper limit on town/parish council precept increases. The Council is proposing setting a harmonised basic band D council tax that will increase the existing TDCC basic band D tax rate by £5 per annum – a sound policy in light of the financial uncertainty ahead.

### **Capital Programme Funding**

- 20.12 The Shadow Executive's draft budget proposals for the General Fund capital programme are set out in this main report alongside the revenue budget. To support the spending plans, councils are required to publish and monitor a set of Prudential Indicators. These are listed in full in the Treasury Management Strategy Statement which is also shared separately for approval.
- 20.13 The Shadow Executive's draft capital programmes for the General Fund and HRA follow the principles of the Prudential Code, and I am satisfied that the treasury implications are clear and within affordable limits.

### **Inflation and Other Key Budget Assumptions**

- 20.14 I have reviewed the budget proposals and assumptions and comment as follows:

Inflation: inflation assumptions appear reasonable with general inflation projected at 2% in line with longer term government targets. An appropriate level of inflation allowance has also been reflected in the budget estimates for pay, pensions and core service contracts. Services will be required to absorb variations in costs compared to budget, and significant issues highlighted through budget monitoring reports.

Service Income: income projections are based on realistic assumptions on usage, and the most recent Government guidance on fee levels when appropriate. They also take into account historic trends and current year projections.

Growth in service requirements: the MTFP identifies service growth areas such as waste collection and recycling. Detailed estimates are firmed up by discussions with managers during the budget process.

Revenue Implications of Capital: the MTFP identifies and incorporates changes to the base budget as a result of the capital programme.

Economic assumptions: investment interest assumptions are based on independent economic forecasts and include the impact of treasury management decisions made in earlier years, as well as projected benefits from recent changes in the range of investments used for cash balances.

Council Tax: growth assumptions in the council tax base have been forecast at 1.6% in 2019/20 and for each year thereafter on a prudent estimate of the net effect of local growth, council tax support and other discounts. Council tax collection rates remain strong, providing confidence the income will be received as planned.

Sustainability: the proposed budget takes into account the future financial uncertainty faced by the Council. The Council can set a balanced budget for 2019/20 and the medium term financial plan is deliverable.

### **Delivery of Savings**

- 20.15 The budget approach for 2019/20 has sought to avoid the need for service savings plans. The key savings in the MTFP will be delivered through transformation. I remain confident that the programme remains on track to achieve the financial benefits in full by 2019/20.

### **21 Adequacy of Reserves**

- 21.1 With the existing statutory and regulatory framework, it is my responsibility as S151 Officer to advise the Council about the adequacy of the Council's reserves position.
- 21.2 All reserves are reviewed at least annually and my formal opinion updated during the budget setting process each year. The minimum level of reserves for the new council has been set at £2.4m following an assessment in January 2019.
- 21.3 A review of earmarked reserves was carried out during the budget setting process and I am satisfied that all remaining reserves are there for a specific purpose and are needed. This will be reviewed again at the closedown of the current financial year.
- 21.4 The Shadow Executive's draft budget for 2019/20 does not rely on the use reserves to support ongoing spending – which is a positive position.
- 21.5 My opinion is given in the knowledge that known risks (strategic, operational and financial) are managed and mitigated appropriately in line with the Council's policies and strategies.

### **General Fund Reserve**

- 21.6 The predicted General Fund Reserve position is set out in the main report, and remains above the minimum acceptable level. The level of reserve is therefore adequate.
- 21.7 As the Council progresses through significant organisational change it is appropriate to plan to maintain reserves above this minimum to provide flexibility and resilience.

## **Housing Revenue Account Reserve**

- 21.8 The HRA working balance reserve is forecast to be £2.8m after budget approval for 2019/20. The minimum level of reserve remains at the current level of £300 per property – approximately £1.8m. The balance remains in line with business plan expectations.

## **Earmarked Reserves**

- 21.9 At the beginning of 2019/20, the Council expects to have in the region of £25m in specific earmarked reserves.

## **22 Conclusions – Statement of the S151 Officer**

- 22.1 Based on the evidence I have reviewed I am able to confirm that I believe the Council's draft budget proposals for 2019/20 to be sufficiently robust, and the Council's reserves to be adequate.
- 22.2 The budget for 2019/20 is balanced without the need to draw on general reserves. Looking ahead, the MTFP shows a broadly balanced position (a surplus of £319k predicted by 2023/24). Key to this is achieving the planned transformation savings in full.
- 22.3 Whilst the forecast funding position beyond 2019/20 is uncertain estimates are considered prudent at this stage. Key influences will be: the Government's next Spending Review and future funding settlements, the Fair Funding Review, the reset of the business rates baseline and tariff, and any further changes to the New Homes Bonus regime. A prudent contingency is included in the MTFP from 2019/20 onwards to cushion potential adverse of funding changes.
- 22.4 Finally of course, Brexit also brings significant uncertainty at the time of writing this report. It will therefore be necessary to review the Financial Strategy not only in light of the outcome of this but also with the other potential issues that I have highlighted.

## **23 Links to Corporate Aims / Priorities**

- 23.1 It is important that Councillors recognise the financial position, challenges and risks faced by the Council and fully engage in the corporate and financial planning processes in order to determine an affordable and sustainable set of corporate aims and priorities. This should lead to the Council approving a sustainable final budget and MTFP in February 2019.

## **24 Finance / Resource Implications**

- 24.1 The Council's financial position is set out above within the body of this report.
- 24.2 It is important that Councillors have a good understanding of the financial position and forecasts over the medium term.
- 24.3 The MTFP reflects the projected savings from transformation of council services.

## **25 Legal Implications (if any)**

- 25.1 The Council is required by law to set a balanced budget and failure to do so would result in serious financial and service implications and lead to Government intervention.



**26 Environmental Impact Implications (if any)**

26.1 None for the purposes of this report. There have been no proposed policy changes or reductions in service budgets in order to balance the budget in 2019/20, in line with the Council's agreed financial strategy.

**27 Safeguarding and/or Community Safety Implications (if any)**

27.1 None for the purposes of this report.

**28 Equality and Diversity Implications (if any)**

28.1 None for the purposes of this report.

**29 Social Value Implications (if any)**

29.1 None for the purposes of this report.

**30 Partnership Implications (if any)**

30.1 None for the purposes of this report. The Council budget incorporates costs and income related to the various partnership arrangements, and any changes in relevant forecasts and proposals will be reported for consideration as these emerge.

**31 Health and Wellbeing Implications (if any)**

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

**32 Asset Management Implications (if any)**

32.1 None directly for the purposes of this report. The financial implications associated with asset management will be reflected in due course.

**30 Data Protection Implications (if any)**

30.1 None for the purposes of this report.

**31 Consultation Implications (if any)**

31.1 None for the purposes of this report.

**32 Scrutiny Comments / Recommendation(s) (if any)**

32.1 Scrutiny supported the recommendations as written apart from the proposed changes to fees and charges for open spaces in Appendix C – which it declined to consider due to the further consultation that was felt necessary on these.

32.2 There was further clarity sought on the Community Governance Review process which is being investigated for a written answer by the Specialist in Governance and Democracy. Also further information about the proposed Charter Trustees was sought and the ability of the 16 Councillors who will form this to levy a precept and when.

32.3 Members discussed the Business Rates Smoothing Reserve and New Homes Bonus and the justifications of setting aside £1.5m to mitigate any risk of appeals and sought to know what that reserve would stand at once this had been added. Further clarity was sought on charging for Waste Containers which might not have been separately identified in previous WSC Budgets.

32.4 Members received confidence that Transformation savings were on target

32.5 Members queried the inclusion of a £20,000 server refresh.

**Democratic Path:**

**Shadow Scrutiny – 5 February 2019**

**Shadow Executive – 11 February 2019**

**Shadow Council – 21 February 2019**

**Reporting Frequency: Annually**

**List of Appendices (delete if not applicable)**

Appendix A	General Fund Capital Programme
Appendix B	Minimum Level of General Reserves

**Contact Officers**

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## Appendix B

### Minimum Level of General Reserves

#### 1. **BACKGROUND INFORMATION**

- 1.1 As part of their annual budget setting process, Taunton Deane Borough Council and West Somerset Council reviewed and determined a minimum level of General Reserves. A similar review therefore needs to be undertaken for the new Somerset West and Taunton Council.
- 1.2 This review of General Reserves is essential particularly with this being the first year of operation of the new council and with the continued uncertainty over future Central Government Funding. In addition all councils are always exposed to unforeseen events, risks and pressures.
- 1.3 With this in mind, the s151 Officer has requested a review of reserves and for the minimum acceptable level of General Reserves to be challenged to establish whether it is appropriate and to benchmark against other councils to see how we compare and whether we are over exposed to risk.

#### 2. **APPROACH AND METHODOLOGY**

- 2.1 Reserves will be reviewed by Somerset West and Taunton Council on an annual basis to give assurance that they are appropriate and adequate. Due to the constraints on the Council's budget it is not possible to mitigate against every eventuality and it would be imprudent to set aside funds simply as a percentage of net expenditure or "just in case". With the challenges associated with setting a balanced budget, earmarking reserves is an important exercise and each year a review is done to challenge the levels and intended use of these reserves. In some cases, where earmarked reserves are deemed to be no longer required/too high they can be returned to general reserves.
- 2.2 In order to arrive at an appropriate level, various publications are reviewed and the Council will benchmark against its nearest neighbours in terms of size, demography, NDR value per head etc\*:
  - LAAP Bulletin 99 Local Authority Reserves and Balances
  - CIPFA Stats Nearest Neighbours Model\*
  - Audit Commission "Striking a Balance" Questionnaire
  - CIPFA Delivering Good Governance in Local Government

#### 3. **MITIGATING RISK – GENERAL RESERVES**

- 3.1 The CIPFA LAAP Bulletin says "When reviewing their medium term financial plans and preparing their annual budgets, local authorities should consider the

establishment and maintenance of reserves. These can be held for three main purposes”:

- A working balance to help cushion the impact of uneven cashflows and avoid unnecessary temporary borrowing – this forms part of general reserves
- A contingency to cushion the impact of unexpected events or emergencies – this forms part of general reserves
- A means of building up funds to meet known or predicted requirements – via earmarked reserves (legally part of the General Fund)

3.2 As part of the review of the adequacy of the General Reserves balance it is prudent to consider the particular risks that the Council faces and how these are mitigated by earmarked reserves and other mechanisms.

3.3 There are a number of general risks which are relevant to all or most councils and for the most part are mitigated with a robust approach to budget setting in the MTFP. These include inflation and interest rates; the timing of capital receipts; demand led pressures; the delivery of efficiency savings; the availability of Government grants and general funding and the general financial climate. These risks are considered at every stage of the budget setting process and the experience of the s151 and senior finance officers will be fundamental in identifying and addressing the pressures relating to these risks.

3.4 An indicator of the risks particular to the Council is the Risk Register. This captures those risks which need to be managed and monitored as they can potentially have a very detrimental effect on the financial or reputational standing of the Council. We have therefore used the Council's risk register as the starting point for the risk matrix.

#### **4. QUANTIFYING THE FINANCIAL RISK**

4.1 The risk-based assessment gave a range of appropriate “minimum” general reserves levels as £1.9m to £2.9m. With consideration to the challenges the Council faces from continuing reductions of Central Government funding and a need to deliver its transformation savings it is prudent to recommend that the minimum reserve level for the new council be set at £2.4m.

#### **5. STRIKING A BALANCE QUESTIONNAIRE**

5.1 The Audit Commission's questionnaire is a good aide memoire to highlight the areas a Council should consider when assessing the minimum level of reserves. It also draws on benchmarking to establish how other councils mitigate their risks.

## **6. NEAREST NEIGHBOUR COMPARISON**

- 6.1 A benchmarking exercise with 15 other councils with similar attributes has been undertaken. The nearest neighbour comparison (based upon financial information as at 31 March 2018) indicates that the average general reserve balance (of the councils within the comparison group) is £3.871m and average earmarked reserves are £14.147m. By comparison, Somerset West and Taunton is predicted to have an opening general reserve balance of £2.828m but will have significantly higher earmarked reserves in excess of £25m.

## **7. CONCLUSION AND NEXT STEPS**

- 7.1 The risk assessment and Audit Commission questionnaire are useful tools in establishing Somerset West and Taunton's minimum level of general reserves. This must be caveated with the assertion that if the Council relies on reserves to address a budget gap, and in particular for ongoing costs it will be immediately exposed to a heightened risk if it does not remain above the minimum level.
- 7.2 **With reference to the analysis that has been undertaken and with attention to the risks that the Council faces, a recommendation is made to set the minimum level of general reserves at £2.4m.**



## Appendix B

### Minimum Level of General Reserves

#### 1. **BACKGROUND INFORMATION**

- 1.1 As part of their annual budget setting process, Taunton Deane Borough Council and West Somerset Council reviewed and determined a minimum level of General Reserves. A similar review therefore needs to be undertaken for the new Somerset West and Taunton Council.
- 1.2 This review of General Reserves is essential particularly with this being the first year of operation of the new council and with the continued uncertainty over future Central Government Funding. In addition all councils are always exposed to unforeseen events, risks and pressures.
- 1.3 With this in mind, the s151 Officer has requested a review of reserves and for the minimum acceptable level of General Reserves to be challenged to establish whether it is appropriate and to benchmark against other councils to see how we compare and whether we are over exposed to risk.

#### 2. **APPROACH AND METHODOLOGY**

- 2.1 Reserves will be reviewed by Somerset West and Taunton Council on an annual basis to give assurance that they are appropriate and adequate. Due to the constraints on the Council's budget it is not possible to mitigate against every eventuality and it would be imprudent to set aside funds simply as a percentage of net expenditure or "just in case". With the challenges associated with setting a balanced budget, earmarking reserves is an important exercise and each year a review is done to challenge the levels and intended use of these reserves. In some cases, where earmarked reserves are deemed to be no longer required/too high they can be returned to general reserves.
- 2.2 In order to arrive at an appropriate level, various publications are reviewed and the Council will benchmark against its nearest neighbours in terms of size, demography, NDR value per head etc\*:
  - LAAP Bulletin 99 Local Authority Reserves and Balances
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- 3.1 The CIPFA LAAP Bulletin says "When reviewing their medium term financial plans and preparing their annual budgets, local authorities should consider the

establishment and maintenance of reserves. These can be held for three main purposes”:

- A working balance to help cushion the impact of uneven cashflows and avoid unnecessary temporary borrowing – this forms part of general reserves
- A contingency to cushion the impact of unexpected events or emergencies – this forms part of general reserves
- A means of building up funds to meet known or predicted requirements – via earmarked reserves (legally part of the General Fund)

3.2 As part of the review of the adequacy of the General Reserves balance it is prudent to consider the particular risks that the Council faces and how these are mitigated by earmarked reserves and other mechanisms.

3.3 There are a number of general risks which are relevant to all or most councils and for the most part are mitigated with a robust approach to budget setting in the MTFP. These include inflation and interest rates; the timing of capital receipts; demand led pressures; the delivery of efficiency savings; the availability of Government grants and general funding and the general financial climate. These risks are considered at every stage of the budget setting process and the experience of the s151 and senior finance officers will be fundamental in identifying and addressing the pressures relating to these risks.

3.4 An indicator of the risks particular to the Council is the Risk Register. This captures those risks which need to be managed and monitored as they can potentially have a very detrimental effect on the financial or reputational standing of the Council. We have therefore used the Council's risk register as the starting point for the risk matrix.

#### **4. QUANTIFYING THE FINANCIAL RISK**

4.1 The risk-based assessment gave a range of appropriate “minimum” general reserves levels as £1.9m to £2.9m. With consideration to the challenges the Council faces from continuing reductions of Central Government funding and a need to deliver its transformation savings it is prudent to recommend that the minimum reserve level for the new council be set at £2.4m.

#### **5. STRIKING A BALANCE QUESTIONNAIRE**

5.1 The Audit Commission's questionnaire is a good aide memoire to highlight the areas a Council should consider when assessing the minimum level of reserves. It also draws on benchmarking to establish how other councils mitigate their risks.



## **6. NEAREST NEIGHBOUR COMPARISON**

- 6.1 A benchmarking exercise with 15 other councils with similar attributes has been undertaken. The nearest neighbour comparison (based upon financial information as at 31 March 2018) indicates that the average general reserve balance (of the councils within the comparison group) is £3.871m and average earmarked reserves are £14.147m. By comparison, Somerset West and Taunton is predicted to have an opening general reserve balance of £2.828m but will have significantly higher earmarked reserves in excess of £25m.

## **7. CONCLUSION AND NEXT STEPS**

- 7.1 The risk assessment and Audit Commission questionnaire are useful tools in establishing Somerset West and Taunton's minimum level of general reserves. This must be caveated with the assertion that if the Council relies on reserves to address a budget gap, and in particular for ongoing costs it will be immediately exposed to a heightened risk if it does not remain above the minimum level.
- 7.2 **With reference to the analysis that has been undertaken and with attention to the risks that the Council faces, a recommendation is made to set the minimum level of general reserves at £2.4m.**



## Somerset West and Taunton Council

### Shadow Council – 21 February 2019

#### Capital Strategy 2019/20

This matter is the responsibility of the Leader of the Council, Councillor John Williams

Report Author: Andrew Stark, Interim Finance Manager

#### 1 Executive Summary

- 1.1 This capital strategy is a new report for 2019/20, giving a high-level overview of how capital expenditure, capital financing, and treasury management activities contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.2 For comparison purposes the tables in the report show the combined position for Taunton Deane Borough Council and West Somerset Council for the years up to and including 2018/19.

#### 2 Recommendations

- 2.1 Shadow Council approves the 2019/20 Capital Strategy.
- 2.2 Shadow Council approves the Council's Minimum Revenue Provision policy as included with this report.

#### 3 Risk Assessment

##### 3.1 Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails to maintain an adequate system of internal control	2	4	8
The Council has in place suitable arrangements to develop, approve and deliver its capital strategy through appropriately trained staff and with access to specialist advice.	1	4	4

## Risk Scoring Matrix

<b>Likelihood</b>	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			<b>Impact</b>				

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

## 4 Capital Expenditure and Financing

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

- 4.2 In 2019/20, the Council is planning capital expenditure of £20.309m as detailed below:

*Table 1: Prudential Indicator: Estimates of Capital Expenditure*

	<b>2017/18 Actual £m</b>	<b>2018/19 Forecast £m</b>	<b>2019/20 Budget £m</b>	<b>2020/21 Budget £m</b>	<b>2021/22 Actual £m</b>
General Fund	5.998	11.726	17.774	13.194	12.692
HRA	10.126	8.973	9.587	13.299	11.232
<b>Total</b>	<b>16.124</b>	<b>20.699</b>	<b>27.361</b>	<b>26.493</b>	<b>23.924</b>

- 4.3 The main General Fund capital projects also include £16.6m for growth projects.
- 4.4 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is, therefore, recorded separately.
- 4.5 Governance: Service managers bid annually in September to include projects in the Council's Capital Programme. Bids are collated by Finance and the final Capital Programme is then presented to Scrutiny, the Executive and to Full Council in February each year.
- 4.6 Full details of the Council's capital programme is contained in the Draft General Fund Revenue Budget and Capital Estimates 2019/20 and the Housing Revenue Account (HRA) Budget Estimates 2019/20.
- 4.7 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Financing Initiative). The planned financing of the above capital expenditure is as follows:

*Table 2: Capital Financing*

	<b>2017/18 Actual £m</b>	<b>2018/19 Forecast £m</b>	<b>2019/20 Budget £m</b>	<b>Budget 2020/21 £m</b>	<b>Budget 2021/22 £m</b>
External Sources	1.952	3.887	7.695	4.510	5.095
Own Resources	9.291	12.527	12.166	18.650	15.229
Debt	4.881	4.285	7.500	3.333	3.333
<b>Total</b>	<b>16.124</b>	<b>20.699</b>	<b>27.361</b>	<b>26.493</b>	<b>23.924</b>

- 4.8 Debt is only a temporary source of finance, since loans and leases must be repaid and this is, therefore, replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP repayments and the use of capital receipts are as follows:

Table 3: Replacement of Debt Finance

	2017/18 Actual £m	2018/19 Forecast £m	2019/20 Budget £m	Budget 2020/21 £m	Budget 2021/22 £m
MRP	2.632	2.364	2.276	2.364	2.367

The Council's MRP policy is available as Appendix A to this report.

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

Table 4: Estimated CFR

	2017/18 Actual £m	2018/19 Forecast £m	2019/20 Budget £m	Budget 2020/21 £m	Budget 2021/22 £m
General Fund	14.402	13.859	20.904	20.399	19.894
HRA	104.848	100.729	103.355	104.829	106.338
<b>Total</b>	<b>119.250</b>	<b>114.588</b>	<b>124.259</b>	<b>125.228</b>	<b>126.232</b>

## 5 Asset Management

- 5.1 To ensure that capital assets continue to be of long-term use, both Taunton Deane Borough Council and West Somerset Council currently have an asset management strategy in place which drives forward new ways of managing the asset portfolio by proactive asset management.

## 6 Asset Disposals

- 6.1 When a capital asset is no longer needed it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or used to repay debt. The Council is currently also permitted to spend capital receipts on transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £6.420m of capital receipts in the coming financial year as follows:

Table 5: Capital Receipts

	2017/18 Actual £m	2018/19 Forecast £m	2019/20 Budget £m	Budget 2020/21 £m	Budget 2021/22 £m
Asset Sales	(4.303)	(3.988)	(5.902)	(4.240)	(4.410)
Loans Repaid	(488)	(518)	(518)	(518)	(518)
<b>Total</b>	<b>(4.791)</b>	<b>(4.506)</b>	<b>(6.420)</b>	<b>(4.758)</b>	<b>(4.928)</b>

## 7 Treasury Management

- 7.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing. The Council is typically cash rich in the short-term as revenue is earned before it is spent but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 7.2 Due to decisions taken in the past, the Council currently has £85.5m of borrowing and treasury investments of £56.3m.

## 8 Borrowing Strategy

- 8.1 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting and the Council, therefore, seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long term fixed rate loans where the future cost is known but higher (currently 2%-3%).
- 8.2 Projected levels of the Council's total outstanding debt are shown below, compared with the CFR (as also detailed above).

Table 6: Prudential Indicator: Gross Debt and the CFR

	2017/18 Actual £m	2018/19 Forecast £m	2019/20 Budget £m	Budget 2020/21 £m	Budget 2021/22 £m
Debt	85.500	82.500	86.500	86.333	79.666
CFR	119.250	114.588	124.259	125.228	126.232

- 8.3 Statutory guidance is that debt should remain below the CFR, except in the short-term. As can be seen from Table 6 the Council expects to comply with this in the medium term.

## 9 Affordable Borrowing Limit

- 9.1 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach this limit.

	2018/19 Forecast £m	2019/20 Budget £m	2020/21 Budget £m	2021/22 Budget £m
Authorised Limit	244.0	244.0	244.0	244.0
Operational Boundary	212.0	212.0	212.0	212.0

- 9.2 Further details of existing borrowing can be found in Appendix C of the Treasury Management Strategy Statement.

## 10 Investment Strategy

- 10.1 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 10.2 The Council's policy on treasury investments is to prioritise security and liquidity over yield, therefore to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high quality banks to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

*Table 8: Treasury Management Investments*

	<b>31.03.18 Actual £m</b>	<b>31.03.19 Forecast £m</b>	<b>31.03.20 Budget £m</b>	<b>31.03.21 Budget £m</b>	<b>31.03.22 Budget £m</b>
Short-term investments	36.744	40.333	40.000	40.000	40.000
Long term investments	16.022	16.000	16.000	16.000	16.000
<b>Total</b>	<b>52.766</b>	<b>56.333</b>	<b>56.000</b>	<b>56.000</b>	<b>56.000</b>

- 10.3 Further details of existing treasury investments can be found in Appendix C of the Treasury Management Strategy Statement.
- 10.4 Governance: Decisions on treasury management and borrowing are made daily and are, therefore, delegated to the s151 Officer and his staff who must act in line with the Treasury Management Strategy approved by Full Council. Reports on treasury management activities are presented to the Audit, Standards and Governance Committee.

## 11 Investments for Service Purposes

- 11.1 The Council makes investments to assist local public services, including making loans to local small businesses to promote economic growth. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however, it still plans for such investments to generate a profit after all costs.
- 11.2 Governance: Decisions on service investments are made by the relevant service manager in consultation with the s151 officer and must meet the criteria



and limits laid down in the investment strategy. Most loans are capital expenditure and purchases will, therefore, also be approved as part of the capital programme.

- 11.3 Further details on service investments are contained in the Investment Strategy.

## **12 Commercial Activities**

- 12.1 With central government financial support for local public services declining the Council intends to diversify into investments in commercial property mainly for financial gain.

- 12.2 With financial return being the main objective, the Council will be prepared to accept higher risk on commercial investments than with treasury investments. As the Council develops its commercial agenda a new strategy will be put before members for approval which will detail governance arrangements for commercial investments. Property and most other commercial investments are also capital expenditure and purchases will, therefore, be approved as part of the capital programme in future.

## **13 Liabilities**

- 13.1 In addition to debt of £85.5m detailed above the Council is committed to making future payments to cover its pension deficit valued at £111.020m. It has also set aside £2.403m to cover provisions. The Council is also at risk of having to pay for contingent liabilities but has not put aside any money because payment is contingent on, as yet, unknown events occurring which may crystallise possible amounts due.

- 13.2 Governance: Decisions on incurring new discretionary liabilities are taken by service managers in consultation with the s151 Officer. The risk of liabilities crystallising and requiring payment is monitored by the finance team and reported to the s151 officer.

- 13.3 Further details on liabilities and guarantees can be found in the 2017/18 Statement of Accounts of Taunton Deane Borough Council and West Somerset Council.

## **14 Revenue Budget Implications**

- 14.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP is charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from council tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream

	2017/18 Actual £m	2018/19 Forecast £m	2019/20 Budget £m	Budget 2020/21 £m	Budget 2021/22 £m
<b>General Fund</b>					
Net Financing Costs (£m)	0.366	0.076	-0.018	0.041	0.005
Proportion of net revenue stream (%)	1.90	0.37	-0.07	0.20	0.02
<b>HRA</b>					
Net Financing Costs (£m)	4.300	4.431	4.370	4.425	4.485
Proportion of net revenue stream (%)	15.99	16.63	16.51	16.53	16.28

- 14.2 Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The s151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

## 15 Knowledge and Skills

- 15.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the s151 Officer is a qualified accountant with many years' experience. The Council pays for other staff to study towards relevant professional qualifications including AAT and CCAB accounting qualifications.
- 15.2 Where council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and various property consultants as required. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

## 16 Links to Corporate Aims / Priorities

- 16.1 The Treasury Management and Investment Strategy supports the delivery of the Corporate Aims.

## 17 Finance / Resource Implications

- 17.1 Any financial/resource implications are contained in the main body of the report.

## 18 Legal Implications

18.1 There are no legal comments for this report.

**19 Environmental Impact Implications**

19.1 There are no environmental impacts applicable to this report.

**20 Safeguarding and/or Community Safety Implications**

20.1 There are no safeguarding or community safety implications applicable to this report.

**21 Equality and Diversity Implications**

21.1 There are no equalities implications applicable to this report.

**22 Social Value Implications**

22.1 There are no social value implications to this report.

**23 Partnership Implications**

23.1 There are no partnership implications to this report.

**24 Health and Wellbeing Implications**

24.1 There are no health and wellbeing implications to this report.

**25 Asset Management Implications**

25.1 There are no asset management implications to this report.

**26 Data Protection Implications**

26.1 There are no data implications to this report.

**27 Consultation Implications**

27.1 There are no consultation implications to this report.

**28 Scrutiny Comments / Recommendation(s)**

28.1 To be added following the meeting as appropriate.

**Democratic Path:**

- **Shadow Scrutiny – Yes**
- **Shadow Executive – Yes**
- **Shadow Full Council – Yes**

**Reporting Frequency: Annual**

## List of Appendices

Appendix A	Annual Minimum Revenue Provision Statement 2019/20
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## Contact Officers

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### Annual Minimum Revenue Provision Statement 2019/20

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

The MRP methodology was reviewed in 2016/17 to ensure that our approach was appropriate for our financial stability and was robust and prudent for future capital expenditure.

The weighted average useful life approach was deemed to be the most prudent approach and took into consideration the materiality of each asset and its recorded remaining useful life. The weighted average was then applied to the class of asset then applied across the whole fixed asset base. That gave a robust basis to support the asset life applied to MRP calculations and be appropriate for audit scrutiny.

This base calculation was reviewed for 2019/20 with the creation of the new Somerset West and Taunton Council. Any additional CFR is calculated separately and added to the MRP as a distinct calculation thus protecting the original calculation and adding to it where appropriate.

For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan.

Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21.



## Somerset West and Taunton Council

### Shadow Council – 21 February 2019

#### Treasury Management Strategy Statement 2019/20

This matter is the responsibility of Shadow Executive Councillors Andrew Sully and Martin Dewdney

Report Author: Andrew Stark, Interim Finance Manager

#### 1 Executive Summary

- 1.1 The purpose of this report is to inform members of the recommended strategy for managing the Council's cash resources including the approach to borrowing and investments. This strategy has been prepared taking into account professional advice and information from the Council's treasury management advisor Arlingclose.
- 1.2 This strategy continues the previous approach adopted by Taunton Deane Borough Council and West Somerset Council of prioritising security and liquidity of cash over investment returns.

#### 2 Recommendations

- 2.1 Shadow Council approve the Treasury Management Strategy Statement for 2019/20 as contained within this report.

#### 3 Risk Assessment

##### 3.1 Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails to maintain an adequate system of internal control	2	4	8
The Council has in place suitable arrangements to develop, approve and deliver its treasury management strategy statement through appropriately trained staff and access to specialist treasury advice.	1	4	4

## Risk Scoring Matrix

<b>Likelihood</b>	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			<b>Impact</b>				

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

## 4 Introduction

- 4.1 Treasury management is the management of the Council's cash flows, borrowing and investments and the associated risks. The Council has invested substantial sums of money and is, therefore, exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are, therefore, central to the Council's prudent financial management.
- 4.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.



- 4.3 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

## 5 Local Context

- 5.1 On 31 December 2018 Taunton Deane Borough Council held £85.5m of borrowing and £37.228m of investments. West Somerset Council held £19.105m of investments. This is set out in further detail in Appendix C. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below. For analysis purposes the balance sheet summary for 31.03.18 and 31.03.19 reflects the combined position for Taunton Deane Borough Council and West Somerset Council.

Table 1: Balance sheet summary and forecast

	31.03.18 Actual £k	31.03.19 Estimate £k	31.03.20 Forecast £k	31.03.21 Forecast £k	31.03.22 Forecast £k
General Fund CFR	14,402	13,859	20,904	20,399	19,894
HRA CFR	104,848	100,729	103,355	104,829	106,338
<b>Total CFR</b>	<b>119,250</b>	<b>114,588</b>	<b>124,259</b>	<b>125,228</b>	<b>126,232</b>
Less: external borrowing	(85,500)	(82,500)	(86,500)	(86,333)	(79,666)
<b>Internal borrowing</b>	<b>33,750</b>	<b>32,088</b>	<b>37,759</b>	<b>38,895</b>	<b>46,566</b>
Less: Usable reserves	(61,484)	(64,071)	(68,555)	(69,773)	(73,072)
Less: Working capital deficit	23,378	23,378	23,378	23,378	23,378
<b>Investments (or new borrowing)</b>	<b>(4,356)</b>	<b>(8,605)</b>	<b>(7,418)</b>	<b>(7,500)</b>	<b>(3,128)</b>

- 5.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 5.3 CIPFA's prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that Council expects to comply with this recommendation during 2019/20.

## 6 Borrowing Strategy

- 6.1 Taunton Deane Borough Council currently holds £85.5m of loans, a decrease of £4m on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the new Somerset West and Taunton Council is expecting to borrow in 2019/20 to fund approved capital schemes.
- 6.2 Objectives: The Council's chief objective when borrowing money is to strike an

appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which the funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

- 6.3 Strategy: Given the significant cuts to public expenditure and in particular local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short term to either use internal resources, or to borrow short term loans instead.
- 6.4 By doing so the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal/short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low even if this causes costs in the short-term.

## **7 Sources of borrowing**

7.1 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private pension funds (except Somerset County Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

7.2 Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private finance initiative
- Sale and leaseback

The Council has previously raised the majority of its long-term borrowing from the PWLB but continues to investigate other sources of finance, such as local authority loans and bank loans, what may be available at more favourable rates.

7.3 Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans

to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will, therefore, be the subject of a separate report to full Council.

- 7.4 Short-term and variable rate loans: these loans leave the Council exposed to the risk of short-term interest rate rises and are, therefore, subject to the interest rate exposure limits in the treasury management indicators below.
- 7.5 Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement where this is expected to lead to an overall cost saving or a reduction in risk.

## **8 Investment Strategy**

- 8.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past twelve months the Council's investment balance has ranged between £51m and £83m and similar levels are expected to be maintained in the forthcoming year.
- 8.2 Objectives: The CIPFA Code requires the Council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 8.3 Negative interest rates: If the UK enters into a recession in 2019/20 there is a small chance that the Bank of England could set its Bank Rate at or below zero which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractual agreed amount at maturity, even though this may be less than the amount originally invested.
- 8.4 Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to further diversify into higher yielding asset classes during 2019/20. A dwindling proportion of the Council's cash surplus is invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This represents a continuation of the strategy adopted in earlier years.
- 8.5 Business Models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's 'business model' for managing them. The

Council aims to achieve value for money from its internally managed treasury investments by a business model of collecting the contractual cash flows and, therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

## 9 Approved counterparties

- 9.1 The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£5m 5 years	£9m 20 years	£9m 50 years	£5m 20 years	£5m 20 years
AA+	£5m 5 years	£9m 10 years	£9m 25 years	£5m 10 years	£5m 10 years
AA	£5m 4 years	£9m 5 years	£9m 15 years	£5m 5 years	£5m 10 years
AA-	£5m 3 years	£9m 4 years	£9m 10 years	£5m 4 years	£5m 10 years
A+	£5m 2 years	£9m 3 years	£5m 5 years	£5m 3 years	£5m 5 years
A	£5m 13 months	£9m 2 years	£5m 5 years	£5m 2 years	£5m 5 years
A-	£5m 6 months	£9m 13 months	£5m 5 years	£5m 13 months	£5m 5 years
None	£1m 6 months	n/a	£9m 25 years	£50k 5 years	£5m 5 years
<b>Pooled funds and real estate investment trusts</b>		Up to 50% of total investments limited to £9m each fund or trust			

- 9.2 **Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investments or class of investment is used, otherwise the counterparty rating is used. However, investment decisions are never made solely based on credit ratings and all other relevant factors including external advice will be taken into account.

- 9.3 **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

- 9.4 **Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments

are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

- 9.5 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- 9.6 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £2m per company as part of a diversified pool in order to spread the risk widely.
- 9.7 **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England. As providers of public services, they retain the likelihood of receiving government support if needed.
- 9.8 **Pooled funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
- 9.9 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
- 9.10 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 9.11 **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring

services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £300k per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

- 9.12 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 9.13 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 9.14 **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 9.15 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

- 9.16 **Investment limits:** Taunton Deane Borough Council and West Somerset Council’s revenue reserves available to cover investment losses are forecast to be £64m on 31 March 2019. In order that no more than 14% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £9m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Investment limits

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£9m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£9m per group
Any group of pooled funds under the same management	£21m per manager
Negotiable instruments held in a broker’s nominee account	£21m per broker
Foreign countries	£9m per country
Registered providers and registered social landlords	£21m in total
Unsecured investments with building societies	£9m in total
Loans to unrated corporates	£9m in total
Money market funds	£42m in total
Real estate investment trusts	£21m in total

- 9.17 **Liquidity management:** The Council uses an in-house spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium-term financial plan and cash flow forecast.

## **10 Treasury Management Indicators**

- 10.1 The Council measures and manages its exposures to treasury management risks using the following indicators.
- 10.2 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2,

etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A-

- 10.3 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£21m

- 10.4 **Interest rate exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	(£121,000)
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£121,000

- 10.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

- 10.6 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

- 10.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

- 10.8 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:



Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£40m	£24m	£24m

## 11 Related Matters

- 11.1 The CIPFA Code requires the Council to include the following in its treasury management strategy.
- 11.2 **Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 11.3 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 11.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 11.5 **Housing Revenue Account:** On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.
- 11.6 **Markets in Financial Instruments Directive:** The Council has opted up to professional client with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the S151 Officer believes this to be the most appropriate status.

## 12 Financial Implications

- 12.1 The budget for investment income in 2019/20 is £704k (split General Fund £642k, HRA 62k). The budget for debt interest paid in 2019/20 is £292k (split General Fund £169k, HRA £123k). If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

## 13 Other Options Considered

- 13.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## **14 Links to Corporate Aims / Priorities**

14.1 The Investment Strategy supports the delivery of the Corporate Aims.

## **15 Finance / Resource Implications**

15.1 Any financial/resource implications are contained in the main body of the report.

## **16 Legal Implications**

16.1 There are no legal comments for this report.

## **17 Environmental Impact Implications**

17.1 There are no environmental impacts applicable to this report.

## **18 Safeguarding and/or Community Safety Implications**

18.1 There are no safeguarding or community safety implications applicable to this report.

## **19 Equality and Diversity Implications**

19.1 There are no equalities implications applicable to this report.

## **20 Social Value Implications**

20.1 There are no social value implications to this report.

## **21 Partnership Implications**

21.1 There are no partnership implications to this report.

## **22 Health and Wellbeing Implications**

22.1 There are no health and wellbeing implications to this report.

## **23 Asset Management Implications**

23.1 There are no asset management implications to this report.

## **24 Data Protection Implications**

24.1 There are no data protection implications in this report.

## **25 Consultation Implications**

25.1 There are no consultation implications to this report.

## **26 Scrutiny Comments / Recommendation(s)**

26.1 To be included following meeting if appropriate.

**Democratic Path:**

- **Shadow Scrutiny – Yes**
- **Shadow Executive – Yes**
- **Shadow Full Council – Yes**

**Reporting Frequency: Annually****List of Appendices**

Appendix A	Commentary by Arlingclose
Appendix B	Arlingclose Economic and Interest Rate Forecast December 2018
Appendix C	Existing Investment and Debt Portfolio Position

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### Commentary by Arlingclose

**Economic background:** The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's treasury management strategy for 2019/20.

UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continue to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.

**Credit outlook:** The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ring-fencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ring-fenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ring-fenced banks generally being better rated than their non-ring-fenced counterparts.

The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

**Interest rate forecast:** Following the increase in Bank Rate to 0.75% in August 2018, the Council's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

**Arlingclose Economic and Interest Rate Forecast December 2018****Underlying assumptions:**

- Our central interest rate forecasts are predicated on there being a transitional period following the UK's official exit from the EU.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.
- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.
- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.
- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

**Forecast:**

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.

- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitional period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.75</b>	<b>1.00</b>	<b>1.00</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.13</b>
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-0.85
<b>3-mth money market rate</b>														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
<b>Arlingclose Central Case</b>	<b>0.90</b>	<b>0.95</b>	<b>1.10</b>	<b>1.30</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.27</b>
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.76
<b>1-yr money market rate</b>														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
<b>Arlingclose Central Case</b>	<b>1.15</b>	<b>1.25</b>	<b>1.35</b>	<b>1.50</b>	<b>1.70</b>	<b>1.60</b>	<b>1.50</b>	<b>1.40</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.40</b>
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.77
<b>5-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>1.15</b>	<b>1.25</b>	<b>1.35</b>	<b>1.50</b>	<b>1.50</b>	<b>1.40</b>	<b>1.35</b>	<b>1.35</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.33</b>
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.66
<b>10-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>1.50</b>	<b>1.65</b>	<b>1.70</b>	<b>1.80</b>	<b>1.80</b>	<b>1.75</b>	<b>1.75</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	-0.71
<b>20-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>2.00</b>	<b>2.10</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.18</b>
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
<b>50-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>1.90</b>	<b>1.95</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>1.99</b>
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73

PWLB Certainly Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt Yield + 0.60%



## Existing Investment and Debt Portfolio Position

	<b>31.12.18 Actual Portfolio £m</b>
<b>External borrowing:</b>	
Public Works Loan Board	82.500
Barclays	3.000
<b>Total external borrowing</b>	<b>85.500</b>
<b>Treasury investments:</b>	
Banks and building societies (unsecured)	12.000
Covered bonds (secured)	2.128
Government (incl. local authorities)	13.461
Money Market Funds	12.744
Other pooled funds	16.000
<b>Total treasury investments</b>	<b>56.333</b>
<b>Net debt</b>	<b>29.167</b>



## Somerset West and Taunton Council

### Shadow Council – 21 February 2019

#### Investment Strategy 2019/20

This matter is the responsibility of Shadow Executive Councillors Andrew Sully and Martin Dewdney.

Report Author: Andrew Stark, Interim Finance Manager

#### 1 Executive Summary

- 1.1 This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018.
- 1.2 For comparison purposes the tables in the report show the combined position for Taunton Deane Borough Council and West Somerset Council for the years up to and including 2018/19.

#### 2 Recommendations

- 2.1 Shadow Council approve the Investment Strategy for 2019/20 as included within this report.

#### 3 Risk Assessment

##### 3.1 Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails to maintain an adequate system of internal control	2	4	8
The Council has in place suitable arrangements to develop, approve and deliver its investment strategy through appropriately trained staff and access to specialist treasury and commercial advice.	1	4	4

## Risk Scoring Matrix

<b>Likelihood</b>	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
<b>Impact</b>							

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

## 4 Introduction

4.1 The Council invests its money for three broad purposes:

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

4.2 This strategy focuses on the second and third of these categories.

## 5 Treasury Management Investments

- 5.1 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is expected to fluctuate between £50m and £90m during the 2019/20 financial year.
- 5.2 **Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities. Full details of the Council's policies and its plans for the 2019/20 treasury management investments are covered in a separate document, the treasury management strategy.

## 6 Service Investments: Loans

- 6.1 **Contribution:** The Council lends money to local businesses, local charities and employees to support local public services and stimulate local economic growth.
- 6.2 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to minimise this risk and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for Service Purposes

Category of Borrower	31.03.18 Actual			2019/20
	Balance Owing £m	Loss Allowance £m	Net Figure in Accounts £m	Approved Limit £m
Local Businesses	2.043	(0.022)	2.021	20.000
Local Charities	0.902	(0.001)	0.901	3.000
<b>Total</b>	<b>2.945</b>	<b>(0.023)</b>	<b>2.922</b>	<b>23.000</b>

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

- 6.3 **Risk Assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans by working up a robust business case and applying due diligence to all requests for service loans.

## **7 Commercial Investments: Property**

- 7.1 The Council does not currently hold any commercial property investments, although this is an area that the Council is currently exploring. If, and when, such investments are deemed appropriate a policy will be developed which covers security, risk and liquidity as well as explaining the contribution these investments would make to council objectives.

## **8 Financial Guarantees**

- 8.1 Although not strictly counted as investments, since no money has exchanged hands yet, financial guarantees carry similar risks to the Council and are included here for completeness.
- 8.2 Taunton Deane Borough Council has guaranteed the following items which are included in the 2017/18 Statement of Accounts:-
- Greenwich Leisure Limited Pension Liability £4.9m
  - South West Audit Partnership Limited Pension Liability £0.268m

## **9 Capacity, Skills and Culture**

- 9.1 Officers involved in the investment making decision process are governed by internal procedures and processes and external statutory guidance in the form of the CIPFA Treasury Management Code and MHCLG Investment guidance. Internally limits are set in the annual Treasury Management Strategy Statement and the overriding Treasury Management Practices.
- 9.2 Commercial deals: this is a relatively new area for the Council, however, the commercialism agenda is very much at the centre of the organisational structure of Somerset West and Taunton Council. The new Commercial Investment and Change function will lead on commercial activities for the Council. Recruitment is ongoing to ensure that the appropriate commercial skills and knowledge will be available to the new Council. Where specialist commercial advice is required, for example asset valuation, conveyancing etc then this advice will be bought in.
- 9.3 Commercial Investment and Change members of staff will also be subject to an induction process and ongoing training which will ensure that those negotiating commercial deals are aware of the core principles of the Prudential Framework and of the regulatory regime within which all local authorities operate.
- 9.4 Corporate governance: arrangements have been put in place to ensure accountability, responsibility and authority for decision making on investment activities. Existing governance arrangements stem from the Constitution and the associated scheme of delegation. Budget approvals are in place to support all requests for commercial schemes and third party loans.

## **10 Investment Indicators**

- 10.1 The Council has set the following quantitative indicators to allow elected members and the public to assess the Councils total risk exposure as a result

of its investment decisions.

- 10.2 **Total risk exposure:** the first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to draw down and guarantees the Council has issued over third party loans.

Table 2: Total Investment Exposure

	<b>31.03.18 Actual £m</b>	<b>31.03.19 Forecast £m</b>	<b>31.03.20 Forecast £m</b>
Treasury Management Investments	56.333	56.333	56.333
Service Investments: Loans	2.946	2.674	2.271
Commercial Investments: Property	0	0	2.000
<b>Total Investments</b>	<b>59.279</b>	<b>59.007</b>	<b>60.604</b>
Commitments to Lend	0	0	14.500
Guarantees Issued on Pension Liabilities	5.168	5.168	5.168
<b>Total Exposure</b>	<b>64.447</b>	<b>64.175</b>	<b>80.272</b>

- 12.3 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, it is difficult to comply with this guidance. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of need.

Table 3: Investments Funded by Borrowing

	<b>31.03.18 Actual £m</b>	<b>31.03.19 Forecast £m</b>	<b>31.03.20 Forecast £m</b>
Service Investments: Loans	0	0.750	14.500
Commercial Investments: Property	0	0	2.000
<b>Total Funded By Borrowing</b>	<b>0</b>	<b>0.750</b>	<b>16.500</b>

### 13 Links to Corporate Aims / Priorities

- 13.1 The Investment Strategy supports the delivery of the Corporate Aims.

### 14 Finance / Resource Implications

- 14.1 Any financial/resource implications are contained in the main body of the report.

### 15 Legal Implications

- 15.1 There are no legal comments for this report.

**16 Environmental Impact Implications**

16.1 There are no environmental impacts applicable to this report.

**17 Safeguarding and/or Community Safety Implications**

17.1 There are no safeguarding or community safety implications applicable to this report.

**18 Equality and Diversity Implications**

18.1 There are no equalities implications applicable to this report.

**19 Social Value Implications**

19.1 There are no social value implications to this report.

**20 Partnership Implications**

20.1 There are no partnership implications to this report.

**21 Health and Wellbeing Implications**

21.1 There are no health and wellbeing implications to this report.

**22 Asset Management Implications**

22.1 There are no asset management implications to this report.

**23 Data Protection Implications**

23.1 There are no data protection implications to this report.

**24 Consultation Implications**

24.1 There are no consultation implications to this report.

**25 Scrutiny Comments / Recommendation(s)**

25.1 To be included following the meeting if appropriate.



**Democratic Path:**

- **Shadow Scrutiny – Yes**
- **Shadow Executive – Yes**
- **Shadow Full Council – Yes**

**Reporting Frequency: Annual**

**Contact Officer**

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## Somerset West and Taunton Council

### Shadow Full Council – 21 February 2019

#### Council Tax Setting 2019/20

This matter is the responsibility of Shadow Councillors John Williams and Antony Trollope-Bellew

Report Author: Andrew Stark, Interim Financial Services Manager and Deputy S151 Officer

#### 1 Executive Summary

1.1 The purpose of this report is for Shadow Council to approve the calculation and setting of the Council Tax for 2019/20.

#### 2 Recommendations

2.1 That Shadow Council approve the formal Council Tax Resolution in Appendix A.

2.2 That Shadow Council notes that if the formal Council Tax Resolution at Appendix A is approved, the total Band D Council Tax will be:

	2018/19	2018/19	2019/20	Increase	Increase
	TDBC	WSC	SWT	TDBC	WSC
	£	£	£	%	%
Borough / District Council	152.88	155.56	157.88	3.27	1.49
Borough / District Council - SRA	1.74	1.76	1.75	0.57	(0.57)
Somerset County Council	1,103.15	1,103.15	1,138.80	3.23	3.23
Somerset County Council – Social Care	76.17	76.17	88.09	15.65	15.65
Somerset County Council – SRA	12.84	12.84	12.84	0.00	0.00
Police and Crime ton Commissioner	193.81	193.81	217.81	12.38	12.38
Devon and Somerset Fire Authority	84.01	84.01	86.51	2.98	2.98
<b>Sub-Total</b>	<b>1,624.60</b>	<b>1,627.30</b>	<b>1,703.68</b>	<b>4.87%</b>	<b>4.69%</b>
Town and Parish Council (average)	19.74	71.65	37.42		
<b>Total</b>	<b>1,644.34</b>	<b>1,698.95</b>	<b>1,741.10</b>		

Please note that for comparison purposes it has not been possible to show the percentage increase in respect of the Town and Parish Council (average) and therefore the overall total increase.

### 3 Risk Assessment

#### Risk Matrix

Description	Likelihood	Impact	Overall
The key risk is that the Council does not approve the council tax requirement in the correct format.	Possible (3)	Major (4)	Medium (12)
<i>The mitigation for this is that the Council uses the attached CIPFA format to approve the council tax requirement.</i>	Rare (1)	Major (4)	Low (4)

#### Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
<b>Impact</b>							

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

### 4 Background Information

- 4.1 Under changes to the Local Government Finance Act 1992 introduced through the Localism Act 2011, billing authorities are required to calculate a Council Tax Requirement for the year.

## **Precept Levels**

### **Town and Parish Councils**

- 4.2 The 2019/20 Town and Parish Council Precepts are detailed in Appendix C and total £2,118,681. The increase in the average Band D Council Tax for Town and Parish Councils is 13.73% and results in an average Band D Council Tax figure of £37.42 (£32.90 for 2018/19).

### **Police and Crime Commissioner**

- 4.3 The Police and Crime Commissioner approved its council tax requirement on 6 February 2019. The precept will be £12,333,008 which results in a Band D Council Tax of £217.81, an increase of 12.38%. The Precept will be adjusted by a Collection Fund surplus of £121,290. Details of the Council Tax charge can be seen in Appendix B.

### **Somerset County Council**

- 4.4 The County Council is due to approve its Council Tax requirement on 20 February 2019 and set its precept at £70,196,974.55 which will be adjusted by a Collection Fund surplus of £746,092. This is calculated as an increase on base of 3.23% for the general precept and 15.65% for Adult Social Care and results in a total Band D Council Tax of £1,239.73. This figure also includes a precept of £12.84 in respect of the Somerset Rivers Authority which is unchanged from the 2018/19 precept. Details of the Council Tax charge can be seen in Appendix B.
- 4.5 Please note that the SCC figures are provisional and could be subject to change following their budget meeting on 20 February 2019.

### **Devon and Somerset Fire and Rescue Service**

- 4.6 The Devon and Somerset Fire and Rescue Authority is due to approve its Council Tax requirement on 19 February 2019 and set its precept at £4,898,437; an increase of 2.98%, adjusted by a Collection Fund surplus of £52,576. This results in a Band D Council Tax of £86.51 and details can be found in Appendix B to this report.
- 4.7 Please note that the DSFRA figures are provisional and could be subject to change following their budget meeting on 19 February 2019.

### **Somerset West and Taunton Council**

- 4.8 Members are being asked to approve a total Council Tax requirement of £9,038,694 for SWT for 2019/20, which equates to a Band D equivalent of £159.63; a total increase of £5.00 (3.27%) for 2019/20 for a Taunton Deane Borough Council resident and an increase of £2.31 (1.49%) in respect of a West Somerset Council resident. This includes £1.75 in respect of the Somerset Rivers Authority.

### **Collection Fund Surpluses and Deficits**

- 4.9 The estimated balance on the Council Tax Collection Fund is forecast on 15th January each year. Any surplus or deficit is shared between the County Council, the Police and

Crime Commissioner, the Fire Authority and ourselves, in shares relative to our precept levels.

- 4.10 The estimated balance on the Council Tax Collection Fund is a surplus of £1,036,269. Somerset West and Taunton Council's share of this amounts to £116,311, and this is reflected in the General Fund revenue estimates.

## **5 Links to Corporate Aims / Priorities**

- 5.1 None for the purposes of this report.

## **6 Finance / Resource Implications**

- 6.1 This is a finance report and there are no additional comments.

## **7 Legal Implications**

- 7.1 The requirement to set the annual determination is set out in the Local Government Finance Act 1992, as amended by the Localism Act 2011, and this report complies with those requirement.

## **8 Environmental Impact Implications (if any)**

- 8.1 None for the purposes of this report.

## **9 Safeguarding and/or Community Safety Implications (if any)**

- 9.1 None for the purposes of this report.

## **10 Equality and Diversity Implications (if any)**

- 10.1 None for the purposes of this report.

## **11 Social Value Implications (if any)**

- 11.1 None for the purposes of this report.

## **12 Partnership Implications (if any)**

- 12.1 None for the purposes of this report.

## **13 Health and Wellbeing Implications (if any)**

- 13.1 None for the purposes of this report

## **14 Asset Management Implications (if any)**

- 14.1 None for the purposes of this report.

## **15 Data Protection Implications**

- 15.1 None for the purposes of this report.

## **16 Consultation Implications (if any)**

- 16.1 None for the purposes of this report.

**17 Scrutiny Comments / Recommendation(s) (if any)**

17.1 None for the purposes of this report.

**Democratic Path:**

- **Corporate Scrutiny – No**
- **Executive – No**
- **Full Council – Yes**

**Reporting Frequency: Annually**

**List of Appendices (delete if not applicable)**

Appendix A	Council Tax Calculation and Bandings 2019-20
Appendix B	Council Tax Schedule Per Valuation Band 2019-20
Appendix C	Town and Parish Precepts 2019-20

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**The Council is recommended to resolve as follows:**

1. It be noted that the Council calculated the Council Tax Base 2019/20
  - (a) for the whole Council area as **56,622.78** [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the Act)] (**the tax base for the whole district**); and
  - (b) for dwellings in those parts of its area to which a Parish precept relates as in the attached Appendix C (**the tax base for each parish or town council area**).
2. Calculate that the Council Tax requirement for the Council's own purposes for 2019/20 (excluding Parish precepts) is £9,038,694.
3. That the following amounts be calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:

(a)	£108,004,637	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act; (expenditure, including all precepts issued to it by parish and town councils).
(b)	£96,847,261	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act (income, including government grants, benefits subsidy and adjustments for surpluses on the Collection Fund).
(c)	£11,157,376	being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act; as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act); (expenditure less income).
(d)	£197.05	being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year; (this is an overall average amount of Council Tax, per Band D property including Parish precepts).
(e)	£2,118,681	being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix C).
(f)	£159.63	being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates (the District Council element of the tax for Band D dwellings).

4. To note that the County Council, the Police Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.
5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the table below as the amounts of Council Tax for 2019/20 for each part of its area and for each of the categories of dwellings. The table

excludes parish and town precepts and special expenses.

**VALUATION BANDS**

**SOMERSET WEST AND TAUNTON COUNCIL**

A	B	C	D	E	F	G	H
£106.42	£124.16	£141.89	£159.63	£195.10	£230.58	£266.05	£319.26

**SOMERSET COUNTY COUNCIL**

A	B	C	D	E	F	G	H
£826.48	£964.23	£1,101.98	£1,239.73	£1,515.23	£1,790.72	£2,066.22	£2,479.46

**POLICE AND CRIME COMMISSIONER FOR AVON AND SOMERSET**

A	B	C	D	E	F	G	H
£145.21	£169.41	£193.61	£217.81	£266.21	£314.61	£363.02	£435.62

**DEVON AND SOMERSET FIRE AND RESCUE SERVICES**

A	B	C	D	E	F	G	H
£57.67	£67.28	£76.89	£86.51	£105.73	£124.95	£144.18	£173.01

**AGGREGATE OF COUNCIL TAX REQUIREMENTS**

A	B	C	D	E	F	G	H
£1,135.78	£1,325.08	£1,514.37	£1,703.68	£2,082.27	£2,460.86	£2,839.47	£3,407.35

Valuation Bands								
Council Tax Schedule 2019/20	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Somerset West and Taunton Council	105.25	122.80	140.33	157.88	192.96	228.05	263.13	315.76
Somerset West and Taunton Council (Somerset Rivers Authority)	1.17	1.36	1.56	1.75	2.14	2.53	2.92	3.50
Somerset County Council	759.19	885.73	1,012.27	1,138.80	1,391.87	1,644.93	1,898.00	2,277.60
Somerset County Council (Social Care)	58.73	68.51	78.30	88.09	107.67	127.24	146.82	176.18
Somerset County Council (Somerset Rivers Authority)	8.56	9.99	11.41	12.84	15.69	18.55	21.40	25.68
Police and Crime Commissioner	145.21	169.41	193.61	217.81	266.21	314.61	363.02	435.62
Devon and Somerset Fire and Rescue Authority	57.67	67.28	76.89	86.51	105.73	124.95	144.18	173.01
<b>Totals excluding Parish/Town Precepts</b>	<b>1,135.78</b>	<b>1,325.08</b>	<b>1,514.37</b>	<b>1,703.68</b>	<b>2,082.27</b>	<b>2,460.86</b>	<b>2,839.47</b>	<b>3,407.35</b>
Average Parish / Town	24.94	29.10	33.26	37.42	45.73	54.05	62.36	74.83
<b>Total including Average Parish/Town Precept</b>	<b>1,160.73</b>	<b>1,354.18</b>	<b>1,547.63</b>	<b>1,741.09</b>	<b>2,128.00</b>	<b>2,514.91</b>	<b>2,901.82</b>	<b>3,482.19</b>
<b>Parish:</b>								
Ash Priors	1,135.78	1,325.08	1,514.37	1,703.68	2,082.27	2,460.86	2,839.47	3,407.35
Ashbrittle	1,150.23	1,341.93	1,533.62	1,725.34	2,108.75	2,492.15	2,875.57	3,450.68
Bathealton	1,140.38	1,330.44	1,520.49	1,710.57	2,090.69	2,470.81	2,850.95	3,421.13
Bicknoller	1,147.12	1,338.31	1,529.49	1,720.68	2,103.06	2,485.42	2,867.81	3,441.36
Bishops Hull	1,148.29	1,339.67	1,531.04	1,722.44	2,105.20	2,487.95	2,870.74	3,444.87
Bishops Lydeard/Cothelstone	1,167.12	1,361.64	1,556.15	1,750.68	2,139.72	2,528.75	2,917.80	3,501.35
Bradford on Tone	1,157.23	1,350.10	1,542.97	1,735.85	2,121.59	2,507.33	2,893.09	3,471.70
Brompton Ralph	1,163.82	1,357.79	1,551.75	1,745.73	2,133.67	2,521.60	2,909.55	3,491.45
Brompton Regis	1,153.10	1,345.29	1,537.46	1,729.65	2,114.02	2,498.38	2,882.77	3,459.31
Brushford	1,193.94	1,392.93	1,591.90	1,790.90	2,188.88	2,586.85	2,984.85	3,581.81
Burrowbridge	1,155.21	1,347.74	1,540.27	1,732.81	2,117.88	2,502.94	2,888.03	3,465.63
Carhampton	1,175.05	1,370.89	1,566.72	1,762.57	2,154.26	2,545.93	2,937.63	3,525.15
Cheddon Fitzpaine	1,157.41	1,350.31	1,543.20	1,736.12	2,121.92	2,507.71	2,893.54	3,472.23
Chipstable	1,153.57	1,345.83	1,538.08	1,730.36	2,114.88	2,499.39	2,883.94	3,460.71
Churchstanton	1,153.17	1,345.37	1,537.55	1,729.76	2,114.15	2,498.53	2,882.94	3,459.51
Clatworthy	1,167.80	1,362.44	1,557.06	1,751.71	2,140.98	2,530.23	2,919.52	3,503.41
Combe Florey	1,157.84	1,350.82	1,543.78	1,736.77	2,122.72	2,508.65	2,894.62	3,473.53
Comeytrowe	1,143.68	1,334.29	1,524.89	1,715.52	2,096.74	2,477.96	2,859.20	3,431.03
Corfe	1,159.67	1,352.95	1,546.22	1,739.51	2,126.07	2,512.62	2,899.19	3,479.02
Cotford St Luke	1,157.71	1,350.67	1,543.61	1,736.57	2,122.47	2,508.37	2,894.29	3,473.14
Creech St Michael	1,166.56	1,360.99	1,555.41	1,749.84	2,138.70	2,527.54	2,916.42	3,499.69
Crowcombe	1,164.00	1,358.00	1,551.99	1,746.00	2,134.01	2,522.00	2,910.02	3,492.01
Cutcombe	1,185.91	1,383.56	1,581.20	1,778.87	2,174.17	2,569.46	2,964.79	3,557.73
Dulverton	1,217.01	1,419.85	1,622.67	1,825.52	2,231.19	2,636.85	3,042.54	3,651.04
Dunster	1,173.16	1,368.68	1,564.20	1,759.74	2,150.79	2,541.83	2,932.91	3,519.47
Durstun	1,142.68	1,333.13	1,523.56	1,714.02	2,094.92	2,475.80	2,856.71	3,428.04
East Quantoxhead	1,135.78	1,325.08	1,514.37	1,703.68	2,082.27	2,460.86	2,839.47	3,407.35
Elworthy	1,135.78	1,325.08	1,514.37	1,703.68	2,082.27	2,460.86	2,839.47	3,407.35
Exford	1,175.60	1,371.53	1,567.45	1,763.40	2,155.26	2,547.12	2,939.00	3,526.79
Exmoor	1,158.99	1,352.15	1,545.31	1,738.48	2,124.81	2,511.13	2,897.48	3,476.96
Exton	1,163.56	1,357.49	1,551.40	1,745.34	2,133.20	2,521.04	2,908.91	3,490.68
Fitzhead	1,156.51	1,349.26	1,542.00	1,734.76	2,120.26	2,505.75	2,891.27	3,469.52
Halse	1,150.88	1,342.69	1,534.50	1,726.32	2,109.95	2,493.56	2,877.21	3,452.64
Hatch Beauchamp	1,152.63	1,344.73	1,536.82	1,728.94	2,113.15	2,497.35	2,881.58	3,457.88
Holford	1,168.57	1,363.33	1,558.08	1,752.85	2,142.37	2,531.88	2,921.42	3,505.70
Huish Champflower	1,155.06	1,347.56	1,540.06	1,732.58	2,117.60	2,502.61	2,887.65	3,465.17
Kilve	1,154.60	1,347.03	1,539.46	1,731.90	2,116.77	2,501.62	2,886.51	3,463.80
Kingston St Mary	1,154.25	1,346.62	1,538.99	1,731.37	2,116.12	2,500.86	2,885.63	3,462.75
Langford Budville	1,157.11	1,349.97	1,542.81	1,735.67	2,121.38	2,507.07	2,892.79	3,471.34
Luccombe	1,163.85	1,357.83	1,551.80	1,745.78	2,133.73	2,521.68	2,909.65	3,491.56
Luxborough	1,150.70	1,342.49	1,534.26	1,726.06	2,109.62	2,493.18	2,876.77	3,452.11
Lydeard St Lawrence/Tolland	1,148.64	1,340.08	1,531.51	1,722.96	2,105.84	2,488.71	2,871.61	3,445.92
Milverton	1,165.63	1,359.90	1,554.16	1,748.44	2,136.99	2,525.52	2,914.08	3,496.89
Minehead	1,213.28	1,415.50	1,617.70	1,819.93	2,224.36	2,628.77	3,033.22	3,639.85
Monksilver	1,145.98	1,336.98	1,527.97	1,718.97	2,100.97	2,482.95	2,864.97	3,437.95
Neroche	1,152.45	1,344.53	1,536.60	1,728.68	2,112.83	2,496.97	2,881.15	3,457.36



Workings - Appendix B

	0.667	0.778	0.889
Valuation Band	A	B	C
Ash Priors	0.000	0.000	0.000
Ashbrittle	14.441	16.848	19.255
Bathealton	4.592	5.358	6.123
Bicknoller	11.337	13.226	15.116
Bishops Hull	12.507	14.591	16.676
Bishops Lydeard/Cothelstone	31.333	36.556	41.778
Bradford on Tone	21.448	25.023	28.597
Brompton Ralph	28.033	32.706	37.378
Brompton Regis	17.319	20.205	23.092
Brushford	58.152	67.844	77.535
Burrowbridge	19.424	22.661	25.899
Carhampton	39.265	45.809	52.353
Cheddon Fitzpaine	21.626	25.230	28.834
Chipstable	17.786	20.750	23.715
Churchstanton	17.387	20.285	23.182
Clatworthy	32.020	37.357	42.694
Combe Florey	22.060	25.737	29.414
Comeytrowe	7.893	9.209	10.525
Corfe	23.889	27.871	31.853
Cotford St Luke	21.929	25.583	29.238
Creech St Michael	30.778	35.907	41.037
Crowcombe	28.219	32.922	37.625
Cutcombe	50.127	58.481	66.836
Dulverton	81.229	94.767	108.305
Dunster	37.374	43.603	49.832
Durston	6.897	8.046	9.195
East Quantoxhead	0.000	0.000	0.000
Elworthy	0.000	0.000	0.000
Exford	39.813	46.449	53.084
Exmoor	23.203	27.070	30.937
Exton	27.777	32.406	37.036
Fitzhead	20.721	24.175	27.628
Halse	15.096	17.612	20.128
Hatch Beauchamp	16.842	19.648	22.455
Holford	32.781	38.245	43.708
Huish Champflower	19.271	22.483	25.695
Kilve	18.815	21.951	25.087
Kingston St Mary	18.465	21.542	24.620
Langford Budville	21.329	24.884	28.439
Luccombe	28.070	32.749	37.427
Luxborough	14.920	17.406	19.893
Lydeard St Lawrence/Tolland	12.856	14.999	17.142
Milverton	29.845	34.820	39.794
Minehead	77.500	90.417	103.334
Monksilver	10.199	11.898	13.598
Neroche	16.670	19.448	22.227

Nettlecombe	16.248	18.956	21.664
North Curry	16.769	19.564	22.359
Norton Fitzwarren	17.778	20.741	23.704
Nynehead	13.153	15.345	17.537
Oake	12.137	14.160	16.183
Oare	0.000	0.000	0.000
Old Cleeve	29.752	34.711	39.669
Otterford	0.000	0.000	0.000
Pitminster	12.480	14.560	16.640
Porlock	62.621	73.058	83.495
Ruishton/Thornfalcon	25.113	29.299	33.485
Sampford Arundel	32.931	38.419	43.907
Sampford Brett	13.162	15.356	17.550
Selworthy & Minehead Without	36.337	42.393	48.449
Skilgate	0.000	0.000	0.000
Staplegrove	6.470	7.549	8.627
Stawley	13.034	15.206	17.378
Stogumber	40.693	47.475	54.257
Stogursey	32.671	38.117	43.562
Stoke St Gregory	25.774	30.070	34.366
Stoke St Mary	10.549	12.307	14.066
Stringston	0.000	0.000	0.000
Taunton	2.013	2.349	2.684
Timberscombe	31.910	37.228	42.546
Treborough	0.000	0.000	0.000
Trull	18.628	21.732	24.837
Upton	16.445	19.186	21.927
Watchet	96.520	112.607	128.693
Wellington	34.127	39.814	45.502
Wellington Without	14.234	16.607	18.979
West Bagborough	13.485	15.733	17.980
West Buckland	15.016	17.518	20.021
West Hatch	13.059	15.236	17.412
West Monkton	19.918	23.237	26.557
West Quantoxhead	10.832	12.637	14.442
Williton	65.409	76.310	87.212
Winsford	16.120	18.806	21.493
Withycombe	42.086	49.100	56.114
Withypool & Hawkridge	18.811	21.946	25.082
Wiveliscombe	28.221	32.924	37.628
Wootton Courtenay	17.668	20.612	23.557

1.000	1.222	1.444	1.667	2.000
D	E	F	G	H
0.000	0.000	0.000	0.000	0.000
21.662	26.476	31.290	36.104	43.324
6.889	8.419	9.950	11.481	13.777
17.005	20.784	24.563	28.342	34.010
18.760	22.929	27.098	31.267	37.520
47.000	57.444	67.889	78.333	94.000
32.172	39.321	46.471	53.620	64.344
42.050	51.395	60.739	70.083	84.100
25.978	31.751	37.524	43.297	51.956
87.227	106.611	125.995	145.379	174.455
29.136	35.611	42.085	48.560	58.272
58.897	71.986	85.074	98.162	117.795
32.438	39.647	46.855	54.064	64.877
26.679	32.607	38.536	44.465	53.358
26.080	31.876	37.671	43.467	52.160
48.031	58.704	69.378	80.051	96.061
33.091	40.444	47.798	55.151	66.181
11.840	14.471	17.102	19.734	23.680
35.834	43.797	51.760	59.723	71.668
32.893	40.202	47.512	54.821	65.786
46.167	56.426	66.685	76.945	92.333
42.328	51.734	61.141	70.547	84.656
75.190	91.899	108.608	125.317	150.380
121.843	148.919	175.996	203.072	243.686
56.061	68.518	80.976	93.434	112.121
10.345	12.644	14.943	17.241	20.690
0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000
59.720	72.991	86.262	99.533	119.440
34.804	42.539	50.273	58.007	69.609
41.665	50.924	60.183	69.442	83.330
31.082	37.989	44.896	51.803	62.163
22.644	27.676	32.708	37.740	45.288
25.262	30.876	36.490	42.104	50.525
49.172	60.099	71.026	81.953	98.343
28.907	35.330	41.754	48.178	57.813
28.222	34.494	40.766	47.037	56.445
27.697	33.852	40.007	46.162	55.394
31.994	39.104	46.213	53.323	63.988
42.105	51.462	60.819	70.175	84.211
22.380	27.353	32.326	37.299	44.759
19.284	23.570	27.855	32.141	38.569
44.768	54.717	64.665	74.614	89.536
116.250	142.084	167.917	193.750	232.501
15.298	18.697	22.097	25.497	30.596
25.005	30.562	36.118	41.675	50.010

24.372	29.788	35.204	40.620	48.744
25.154	30.743	36.333	41.923	50.307
26.667	32.593	38.519	44.445	53.334
19.730	24.114	28.498	32.883	39.459
18.206	22.252	26.298	30.343	36.412
0.000	0.000	0.000	0.000	0.000
44.628	54.545	64.463	74.380	89.256
0.000	0.000	0.000	0.000	0.000
18.720	22.880	27.040	31.200	37.440
93.931	114.805	135.679	156.552	187.863
37.670	46.041	54.412	62.783	75.340
49.396	60.373	71.350	82.326	98.792
19.743	24.131	28.518	32.906	39.487
54.505	66.617	78.730	90.842	109.010
0.000	0.000	0.000	0.000	0.000
9.706	11.863	14.019	16.176	19.411
19.551	23.895	28.240	32.585	39.101
61.039	74.603	88.167	101.731	122.078
49.007	59.898	70.788	81.679	98.014
38.662	47.253	55.845	64.436	77.323
15.824	19.340	22.856	26.373	31.647
0.000	0.000	0.000	0.000	0.000
3.020	3.691	4.362	5.033	6.040
47.864	58.501	69.137	79.774	95.729
0.000	0.000	0.000	0.000	0.000
27.942	34.151	40.360	46.569	55.883
24.668	30.150	35.631	41.113	49.336
144.780	176.953	209.127	241.300	289.560
51.190	62.565	73.941	85.317	102.380
21.352	26.097	30.841	35.586	42.703
20.228	24.723	29.218	33.713	40.455
22.524	27.529	32.534	37.540	45.048
19.589	23.942	28.295	32.648	39.178
29.877	36.516	43.155	49.795	59.754
16.247	19.858	23.469	27.079	32.495
98.113	119.916	141.719	163.522	196.227
24.179	29.553	34.926	40.299	48.359
63.129	77.157	91.186	105.215	126.257
28.217	34.487	40.757	47.028	56.433
42.331	51.738	61.145	70.552	84.662
26.502	32.391	38.280	44.170	53.004



## APPENDIX C

## TOWN AND PARISH COUNCIL PRECEPTS

Parish/Town Council	2018/19			2019/20			Council Tax Increase
	Tax Base	Precept Levied	Council Tax Band D	Tax Base	Precept Levied	Council Tax Band D	
	£	£	£	£	£	£	
Ash Priors	81.39	-	-	81.12	-	-	0.00%
Ashbrittle	92.84	2,080	22.40	96.02	2,080	21.66	-3.31%
Bathealton	87.51	500	5.71	87.10	600	6.89	20.56%
Bicknoller	215.90	3,675	17.02	216.11	3,675	17.01	-0.10%
Bishops Hull	1,167.36	21,900	18.76	1,222.88	22,941	18.76	0.00%
Bishops Lydeard/Cothelstone	1,148.11	49,000	42.68	1,181.84	55,546	47.00	10.12%
Bradford on Tone	306.67	7,000	22.83	310.83	10,000	32.17	40.95%
Brompton Ralph	98.81	4,250	43.01	101.07	4,250	42.05	-2.24%
Brompton Regis	221.34	5,750	25.98	221.34	5,750	25.98	0.00%
Brushford	239.71	14,000	58.40	240.75	21,000	87.23	49.35%
Burrowbridge	200.53	6,000	29.92	205.93	6,000	29.14	-2.62%
Carhampton	371.78	20,125	54.13	369.88	21,785	58.90	8.80%
Cheddon Fitzpaine	648.13	19,401	29.93	766.10	24,851	32.44	8.37%
Chipstable	131.32	3,235	24.63	131.19	3,500	26.68	8.30%
Churchstanton	366.53	9,489	25.89	363.84	9,489	26.08	0.74%
Clatworthy	40.69	1,250	30.72	41.64	2,000	48.03	56.35%
Combe Florey	122.41	4,000	32.68	120.88	4,000	33.09	1.27%
Comeytrove	2,017.29	23,896	11.85	2,039.16	24,144	11.84	-0.05%
Corfe	134.92	3,000	22.24	131.16	4,700	35.83	61.16%
Cotford St Luke	789.35	23,600	29.90	810.51	26,660	32.89	10.02%
Creech St Michael	1,104.06	49,738	45.05	1,143.83	52,807	46.17	2.48%
Crowcombe	238.92	9,750	40.81	236.25	10,000	42.33	3.72%
Cutcombe	184.56	13,944	75.55	185.45	13,944	75.19	-0.48%
Dulverton	638.28	73,330	114.89	631.96	77,000	121.84	6.05%
Dunster	488.52	27,000	55.27	499.46	28,000	56.06	1.43%
Durston	57.17	1,300	22.74	58.00	600	10.34	-54.51%
East Quantoxhead	43.33	-	-	43.18	-	-	0.00%
Elworthy	33.93	-	-	33.19	-	-	0.00%
Exford	196.88	11,100	56.38	194.24	11,600	59.72	5.92%
Exmoor	69.57	2,035	29.25	71.83	2,500	34.80	18.98%
Exton	96.51	3,264	33.82	97.54	4,064	41.66	23.20%
Fitzhead	117.15	4,706	40.17	120.65	3,750	31.08	-22.63%
Halse	139.50	2,600	18.64	139.11	3,150	22.64	21.49%
Hatch Beauchamp	263.63	6,500	24.66	257.30	6,500	25.26	2.46%
Holford	131.23	6,500	49.53	132.19	6,500	49.17	-0.73%
Huish Champflower	119.25	3,500	29.35	121.08	3,500	28.91	-1.51%
Kilve	187.56	5,500	29.32	194.88	5,500	28.22	-3.76%
Kingston St Mary	442.68	10,274	23.21	443.37	12,280	27.70	19.34%
Langford Budville	236.78	6,000	25.34	234.42	7,500	31.99	26.26%
Luccombe	73.49	3,000	40.82	71.25	3,000	42.11	3.14%
Luxborough	97.17	1,977	20.35	97.41	2,180	22.38	10.00%
Lydeard St Lawrence/Tolland	212.72	4,103	19.29	219.66	4,236	19.28	-0.01%
Milverton	579.97	25,000	43.11	580.77	26,000	44.77	3.86%
Minehead	4,295.65	358,208	83.39	4,364.29	507,350	116.25	39.41%
Monksilver	62.40	950	15.22	62.10	950	15.30	0.48%
Neroche	247.79	4,580	18.48	246.95	6,175	25.01	35.28%
Nettlecombe	92.18	2,300	24.95	94.37	2,300	24.37	-2.32%
North Curry	741.42	18,000	24.28	755.36	19,000	25.15	3.61%
Norton Fitzwarren	1,193.69	31,850	26.68	1,218.74	32,500	26.67	-0.06%
Nynehead	173.38	3,400	19.61	172.33	3,400	19.73	0.61%
Oake	321.69	5,600	17.41	329.56	6,000	18.21	4.58%
Oare	38.77	-	-	37.87	-	-	0.00%
Old Cleeve	692.43	21,000	30.33	696.38	31,078	44.63	47.15%
Otterford	190.57	-	-	187.93	-	-	0.00%
Pitminster	489.03	8,500	17.38	484.78	9,075	18.72	7.70%
Porlock	703.88	66,000	93.77	702.64	66,000	93.93	0.18%
Ruishton/Thornfalcon	592.28	21,852	36.89	588.00	22,150	37.67	2.10%
Sampford Arundel	130.43	6,000	46.00	131.59	6,500	49.40	7.38%
Sampford Brett	140.21	2,200	15.69	141.82	2,800	19.74	25.83%
Selworthy & Minehead Without	238.87	12,240	51.24	238.51	13,000	54.51	6.37%
Skilgate	49.53	-	-	51.49	-	-	0.00%
Staplegrove	809.47	9,400	11.61	832.91	8,084	9.71	-16.42%
Stawley	138.08	2,400	17.38	144.24	2,820	19.55	12.48%
Stogumber	325.08	19,000	58.45	327.66	20,000	61.04	4.43%
Stogursey	493.52	23,500	47.62	515.23	25,250	49.01	2.92%

Parish/Town Council	2018/19			2019/20			Council Tax Increase
	Tax Base	Precept Levied	Council Tax Band D	Tax Base	Precept Levied	Council Tax Band D	
		£	£		£	£	
Stoke St Gregory	369.85	15,181	41.05	363.72	14,062	38.66	-5.81%
Stoke St Mary	210.79	3,236	15.35	208.99	3,307	15.82	3.07%
Stringston	45.34	-	-	44.90	-	-	0.00%
Taunton	15,077.37	45,534	3.02	15,363.99	46,399	3.02	0.00%
Timberscombe	162.33	7,710	47.50	161.08	7,710	47.86	0.78%
Treborough	28.73	-	-	28.73	-	-	0.00%
Trull	1,060.12	29,000	27.36	1,073.67	30,000	27.94	2.14%
Upton	83.50	2,046	24.50	82.82	2,043	24.67	0.67%
Watchet	1,201.30	173,684	144.58	1,224.32	177,257	144.78	0.14%
Wellington	5,132.95	213,633	41.62	5,242.40	268,358	51.19	22.99%
Wellington Without	306.12	6,450	21.07	311.45	6,650	21.35	1.34%
West Bagborough	171.75	3,500	20.38	173.03	3,500	20.23	-0.74%
West Buckland	438.05	7,815	17.84	427.06	9,619	22.52	26.25%
West Hatch	133.96	2,563	19.13	134.77	2,640	19.59	2.39%
West Monkton	1,973.12	56,707	28.74	2,077.50	62,069	29.88	3.96%
West Quantoxhead	165.53	2,473	14.94	166.18	2,700	16.25	8.74%
Williton	899.87	91,000	101.13	937.69	92,000	98.11	-2.98%
Winsford	165.90	3,200	19.29	165.43	4,000	24.18	25.36%
Withycombe	123.11	7,545	61.29	124.38	7,852	63.13	3.01%
Withypool & Hawkrige	122.53	2,850	23.26	124.04	3,500	28.22	21.31%
Wiveliscombe	1,136.37	40,500	35.64	1,145.73	48,500	42.33	18.77%
Wootton Courtenay	169.83	3,500	20.61	169.80	4,500	26.50	28.59%
<b>Totals</b>	<b>55,574.23</b>	<b>1,828,378</b>	<b>32.90</b>	<b>56,622.78</b>	<b>2,118,681</b>	<b>37.42</b>	<b>13.73%</b>

Extract for main report

	2018/19	2019/20	Increase
	£	£	%
Somerset West and Taunton Council		157.88	#DIV/0!
Somerset West and Taunton Council - SRA		1.75	#DIV/0!
Somerset County Council	1,103.15	1,138.80	3.23%
Somerset County Council - Social Care	76.17	88.09	15.65%
Somerset County Council - SRA	12.84	12.84	0.00%
Police & Crime Commissioner	193.81	217.81	12.39%
Devon & Somerset Fire Authority	84.01	86.51	2.97%
<b>Sub-Total</b>	<b>1,469.98</b>	<b>1,703.68</b>	<b>15.90%</b>
Town & Parish Council (average)	19.74	37.42	89.55%
<b>Total</b>	<b>1,489.72</b>	<b>1,741.09</b>	<b>16.87%</b>

1,192.16    1,239.73



## Somerset West & Taunton Council

**Shadow Full Council 21 February 2019**

### **Business Rates Discretionary Relief Policy**

**This matter is the responsibility of Executive Councilors: Andrew Sully  
& Martin Dewdney**

**Author: Dean Emery Principal Revenues & Debt Recovery Officer**

#### **1 Executive Summary**

1.1 Shadow Full Council is asked to consider the Discretionary Rates Relief Policy which contains some minor changes and a new relief brought in by the government in the Autumn Statement 2018 called 'Retail Discount'. The Policy has also been reviewed, these changes are shown under the recommendations.

1.2 As part of the policy refresh process the Principal Officer held drop in sessions where Business Rates and the Reliefs were discussed

#### **2 Recommendations**

- 2.1 Charity 'Top Up' relief is capped at 10%
- 2.2 Local Newspaper Relief Continues into 2019/20 (fully funded)
- 2.3 Retail Discount from 2019/20 for two years (fully funded)
- 2.4 Local Discretionary Relief for Young/New Businesses/Innovation Centers
- 2.5 Libraries Depending on the legal setup either 100% Discretionary Relief, if 80% Mandatory Relief is paid then 20% 'top up' relief would be awarded
- 2.6 Ratable Value Restriction of £200k(RV)
- 2.7 Shadow Scrutiny is also asked to recommend the policy to Shadow Full Council 21/02/2019

#### **3 Risk Assessment (if appropriate)**

**Risk Matrix**

Description	Likelihood	Impact	Overall
There is a risk to the Council's reputation should any reliefs be applied inconsistently or unfairly	3	3	9
<i>The mitigations for this are the proposed changes as set out in the report - A robust policy to provide clear guidelines to staff making such decisions and allow an element of discretion in exceptional circumstances.</i>	2	2	4

<b>Likelihood</b>	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
<b>Impact</b>							

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

## 4 Background

- 4.1 A range of Mandatory and Discretionary Rate Reliefs reduce (in some cases to Nil) the amount of Non-Domestic Rates (commonly known as business rates) a business or organisation has to pay. The qualifying rules and levels of relief for Mandatory Reliefs are set by Government and are the same throughout the country. The rules and levels of award for Discretionary Rate reliefs are set by each Council and as such may vary from Council to Council.

## 5 Links to Corporate Aims / Priorities

In utilising an effective way to assess and award reliefs it helps achieve consistency and manages financial risks. It maintains good governance and internal control.

## 6 Finance / Resource Implications

- 7.1 Unless fully funded by the Government through s31 grant all relief awarded costs Somerset West and Taunton Councils 44% from 01/04/2019.
- 7.2 The tier split for the Government is 25%, County Council 30% & the Fire Authority 1%
- 7.3 The Estimate of funded Discretionary Reliefs for 2019/20 is £ 1,547,251
- 7.4 The Estimate of Un-funded Discretionary Reliefs for 2019/20 is £ 609,733
- 7.5 The Estimate of Mandatory Reliefs for 2019/20 is £ 10,946,656

## **8. Legal Implications**

8.1 Show there be an appeal this would be subject to an internal review

8.2 Taxpayer have a legal right to seek a 'Judicial Review'

## **9. Environmental Impact Implications**

9.1 There are no environmental implications associated with this report.

## **10. Safeguarding and/or Community Safety Implications**

10.1 Safeguarding and community safety implications have been considered, and there are not expected to be any specific implications relating to this report.

## **11. Equality and Diversity Implications**

11.1 There are no known Equality and Diversity Implications

## **12. Social Value Implications**

12.1 There are no social value implications associated with this report

## **13. Partnership Implications**

13.1 Partnership implications have been considered, and are discussed in the main body of this report.

## **14. Health and Wellbeing Implications**

14.1 There are no Health and Wellbeing implications associated with this report.

## **15. Asset Management Implications**

15.1 There are no asset management implications associated with this report.

16. **Consultation Implications**

16.1 There are no Consultation implications associated with this report.

17. **Scrutiny Comments / Recommendation(s)**

17.1 – Check and Enter Missing Rural Settlements, Typo, check tier split %

**Democratic Path:**

17.1.1 **Shadow Scrutiny - Yes**

17.1.2 **Shadow Full Council - Yes**

**Reporting Frequency:**  **Once only**

**List of Appendices (delete if not applicable)**

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# DISCRETIONARY RATE RELIEF POLICY

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## **1. Introduction and scope**

Somerset West & Taunton Council recognises that both the community and voluntary sectors make an important contribution to the local economy, health and well-being of the residents who live and work in the District of Somerset West & Taunton Council. However, Discretionary Rate Relief granted by Somerset West & Taunton Council is paid for by the Council Tax Payers and the Council has a duty to ensure that public funds are spent wisely and there is due transparency and accountability.

This policy document outlines the areas of local discretion and Somerset West & Taunton Council approach when awarding Discretionary Rate Relief. This approach has regard to the impact:

- On the Council's wider financial position and how that affects Council Tax payers
- On the organisations and businesses that currently receive or may apply for Relief in the future
- On Somerset West & Taunton Council residents, if relief is awarded and the regeneration benefits to the local community
- Of funding made available by Central Government to provide full financial support for the awarding of relief such as but not restricted to: Revaluation Relief, Rural Rate Relief and Help for Small Businesses, Retail Relief.

The principal consideration when making an award is that any Relief is in the best interests of the taxpayers of Somerset West & Taunton Council and produces a local benefit.

## **2. Discretionary Rate Relief Scheme**

Discretionary Rate Relief is granted in accordance with:

- Section 43 of the Local Government Finance Act (LGFA) 1988; and
- Section 47- 49 of the Local Government Finance Act (LGFA) 1988 as amended by the Localism Act 2011

Clause 69 of the Localism Act amended section 47 of the Local Government Finance Act (LGFA) 1988 to allow local billing authorities to fund their own local discounts entirely as it sees fit within the limits of the primary legislation and European Rules on State Aid. These powers can be used to encourage new business and investment, regeneration projects, as well as to support local shops or community services.

The cost of awarding Discretionary Rate Relief is split between Central Government (50%), Somerset West & Taunton Council (44%) the County Council (9%) and Devon Fire (1%). However in certain circumstances Central Government fund 100% of the cost of awarding relief as detailed in [Appendix B](#)

Regulations state that hereditaments cannot qualify for relief that are occupied by precepting authorities which includes **town and parish councils**. Discretionary relief cannot be awarded in respect of any properties where Somerset West & Taunton Council, town or parish councils are in occupation, unless acting as 'trustee'

## **Other organisations that would not normally receive discretionary relief**

Educational organisations that are not registered charities (including universities, further education colleges, voluntary aided, voluntary controlled, church or grant-aided schools, public schools, foundation schools and academies).

Guidance was given to local authorities in 1990 and 2002 recommending that the authority should have readily understood policies for deciding whether or not to grant relief, and for determining the amount of relief to certain organisations which operate within specified criteria. This criteria covers:

- Charitable bodies already in receipt of Mandatory Relief at 80% the Council has further discretion to “top up” this Relief
- Registered community amateur sports clubs already in receipt of Mandatory Relief at 80% - the Council has further discretion to “top up” this Relief on a case by case basis.
- Not for-profit organisations - the Council has discretion to grant Discretionary Rate Relief in accordance with local policy on a case by case basis.

The Council will consider applications for a Discretionary Rate Relief “top up” on a case by case basis. The principal consideration is that any Discretionary Relief is granted in the best interests of the taxpayers of Somerset West & Taunton Council and produces a local benefit as the Council must bear a percentage of the cost of any Relief granted. However, it is Council policy that no Discretionary Relief will be awarded to National Charity Shops they will only receive the 80% Mandatory Relief.

***Discretionary Relief will only be considered where the Rateable Value (RV) is up to and including £200,000(RV). Applications received where the (RV) is above this will be reviewed on a case by case basis not immediately refused, although circumstances would need to be considered to be unique before relief is awarded. Relief will be capped at a maximum of 80% the gross business rates charge with a £200,000(RV), Somerset West Taunton Council recognises that one size doesn't fit all.***

### **2.1 Rural Rate Relief**

**In all three scenarios listed below 100% Rural Rate Relief should be applied.**

The 2016 Autumn Statement confirmed the doubling of rural rate relief from 50% to 100% from 1st April 2017. Local authorities are expected to continue to use their local discount powers to grant 100% rural rate relief to eligible ratepayers.

Local authorities will be compensated in full for their loss of income as a result of this measure. This compensation will be paid by section 31 grant and calculated on the basis of individual council NNDR returns under the rates retention scheme.

The Council may award Rural Rate Relief to qualifying businesses in designated rural settlements (settlements identified with a population of less than 3,000). Qualifying businesses include Post Offices and Food Shops with a rateable value of less than £8,500 or the only Public House, or the only Petrol Filling Station in the designated rural settlements with a rateable value of less than £12,500.

### **Post Offices**

Post Offices are an important component of many local communities, and particularly so in rural areas and qualifying Post Offices, in designated rural areas with an Rateable Value of less than £8,500 will receive 100% Rural Rate Relief.

### **Village Stores, Filling Stations, Public Houses and Village Halls**

Village Stores with a rateable value of less than £8,500, and Filling Stations and Pubs with a rateable value of less than £12,500, will receive 100 % Rural Rate Relief.

It is Council policy that all “Village Halls” will be awarded 100% Discretionary Top-Up relief after any Mandatory Relief has been applied. No applications will be required.

### **Other Rural Businesses with Rateable Values under £16,500**

Such businesses get no Mandatory Relief and can only be considered for Discretionary Rural Rate Relief each case is treated on its own merits by reference to the contribution and importance of the business to the local community.

A maximum of 80% Discretionary Rate Relief can be awarded the Council will assess all applications by using the scoring matrix shown in [Appendix A](#).

### **Rural Settlements – Maintenance of Lists**

It is further agreed that a review is undertaken of qualifying rural settlements 3 months before the new financial year begins. Further information to aid this process will have to be obtained from census records where possible. To help with the review information will be used from Electoral Registration to try and obtain population numbers. The populous of an area doesn't have age boundaries all are included in the 3000 population amount.

If it is found that the population is greater than 3000 and a business no-longer qualifies advice will be given on alternative reliefs that could be claimed. It would be assumed that in most cases the organisation/business would claim Small Business Rates Relief

### **3. Charitable Organisations**

Mandatory Rate Relief of 80% is granted to charities in the following circumstances:

Where the:

- Ratepayer of a property is a charity or the trustees of a charity;  
and
- The property is wholly or mainly used for charitable purposes (including charity shops, where the goods sold are mainly donated and the proceeds are used for the purpose of the charity)

Registration under the Charities Act 1993 is conclusive evidence of charitable status. Bodies which, under the 1993 Act, are exempted from registration or are exempt charities are also eligible for Mandatory Relief.

It is agreed that in cases where a charity is in receipt of Mandatory Rate Relief of **80%** the Council will consider applications for a Discretionary Rate Relief “top up” on a case by case basis. If, but for an award of Mandatory Relief, a charity would qualify for 100% small business rate relief, Discretionary Rate Relief “top up” will be awarded at 100% of any remaining business rate bill. This only applies to local charities and not national charities, except for Citizens Advice Bureaux where 100% ‘top up’ will be granted.

The principal consideration is that any Discretionary Relief is granted in the best interests of the taxpayers of Somerset West & Taunton Council and delivers a local benefit as the Council must bear a percentage of the cost of any Relief granted Mandatory and or Discretionary at 44%.

However, it is Council policy that no Discretionary Rate Relief will be paid to National Charity Shops.

For a consistent approach the maximum of relief will be calculated as shown in [Appendix A](#).

#### **4. Registered Community Amateur Sports Clubs (CASC's)**

Mandatory Rate Relief of 80% is granted to registered CASC's.

To qualify as a CASC, the club must fulfil ALL of the following criteria. It must be:

- On the CASC register (<https://www.gov.uk/government/publications/community-amateur-sportsclubs-casc-registered-with-hmrc--2>)
- Open to the whole community
- Run as an amateur club
- A non-profit making organisation; and
- Aiming to provide facilities for, and encourage people to take part in, eligible sport

The Council will consider applications for a Discretionary Rate Relief “top up” from CASC's on a case by case basis. If, but for an award of Mandatory Relief, a CASC would qualify for 100% small business rate relief, Discretionary Rate Relief “top up” will be awarded at 100% of any remaining business rate bill. This only applies to local organisations not national companies, however, all applications will be looked at on a case by case basis.

The principal consideration is that any Relief is granted in the best interests of the taxpayers of Somerset West & Taunton Council and produces a local benefit as the Council must bear a percentage of the cost of any Relief granted at 44%. However, it should be noted that sports clubs and other organisations which run a bar will have this assessed along with other criteria. For a consistent approach on the maximum of **10%** Discretionary Rate Relief awarded the Council will assess all applications by using the scoring matrix as shown in [Appendix A](#).

## **5. Not for-profit making organisations including Community Interest Companies**

Such organisations do not qualify for Mandatory Relief and can only be considered for Discretionary Relief each case is treated on its merits by reference to the contribution and importance of the business to the local community.

The main objectives of the organisation must be related to:

Relief of poverty, Advancement of Religion, Advancement of Education, Social Welfare, Science, Literature, Fine arts and Recreation or otherwise beneficial to the community.

A Community Interest Company ("CIC") is a type of company, designed primarily for social enterprises that want to use their profits and assets for the public good. CIC's are particularly attractive to those wishing to enjoy the benefits of limited company status and want to make it clear that they are established for the benefit of the community, but are not able, or do not wish to become charities. They vary in size from small community-based organisations to multimillion pound enterprises. CIC's are relatively easy to set up, with all the flexibility and certainty of the company form, but with some special features which ensure that they work for the benefit of the community.

However, it should be noted that sports clubs and other organisations which run a **bar** will have this assessed along with other criteria.

It is agreed that the Council will consider applications for a Discretionary Rate Relief for 'Not For-Profit' Organisations and Community Interest Companies on a case by case basis. The principal consideration is that any Discretionary Relief is granted in the best interests of the taxpayers of Somerset West & Taunton Council and produces a local benefit as the Council must bear a percentage of the cost of any Relief granted of 44%.

**Discretionary Relief will only be considered where the Rateable Value (RV) is up to and including £200,000(RV). Applications received where the (RV) is above this will be reviewed on a case by case basis and not immediately refused, although circumstances would need to be considered to be unique before relief is awarded. Relief will be capped at a maximum of 80% the gross business rates charge with a £200,000(RV), Somerset West Taunton Council recognises that one size doesn't fit all.**

For a consistent approach on the maximum of **80%** Discretionary Rate Relief awarded the Council will assess all applications by using the scoring matrix as shown in [Appendix A](#).

## **6. Hardship Relief (Section 49)**

The Council has the power to reduce or remit the Business Rates charged in certain circumstances where the Ratepayer is enduring temporary financial difficulties, this is known as Hardship Relief.

The principal purpose of an award of Hardship Relief is to provide short term assistance to businesses that are suffering "exceptional" hardship arising from circumstances beyond the control and outside of the normal risks associated with running a business of that type to the extent that the viability of the business would be threatened if an award were not made. Applicants must have and be able to demonstrate they have investigated all other avenues of financial assistance prior to making a claim for Hardship Relief.



The Council may grant Hardship Relief if it is satisfied that:

- The Ratepayer would sustain financial hardship if the Council did not do so:  
and
- It is reasonable for the Council to grant Relief, with regard to the interests of its residents and Council Tax payers

Hardship Relief will only be applied to the actual balance outstanding in the year the application was made.

No Hardship Relief can be awarded where payment has been made in part or full.

Hardship Relief is a temporary measure which can only be awarded once because it should not be used to artificially sustain a failing business. Hardship Relief may be awarded where the ratepayer is facing temporary financial difficulties and where the community would be significantly disadvantaged if the business were to close. The maximum award period is 12 months.

Applications for Hardship Relief must be accompanied by a full set of audited accounts relating to the two years preceding the date of application. Where audited accounts are not available for the current financial year, projected figures certified as being a 'true and fair view' by the company secretary or company accountants may be used. It is recommended that applicants submit audited accounts dating back further than two years, if such information is available.

For a consistent approach on the amount of Discretionary Rate Relief awarded the Council will assess all applications by using the scoring matrix as shown in [Appendix A](#)

Due to the nature of this relief Somerset West & Taunton Council will not apply the £200,000 (RV) restriction. When reviewing the application all current case law will be taken into account when assessing any award.

## **7. Section 44a Relief (partly occupied properties)**

The Council has discretion under section 44a of the Local Government Finance Act to award Rate Relief where part of a property is unoccupied for a temporary period. The definition of 'temporary period' is not prescribed within the law and therefore Somerset West & Taunton Council has the discretion to decide the period of Relief to be awarded. The amount of Rate Relief that is awarded is determined by statute and is calculated by reference to the Rateable Value attributed to the unoccupied area by the Valuation Office Agency, part of Her Majesty's Revenue and Customs (HMRC).

Applications will only be considered in respect of unoccupied parts of a property and must be made within the year that the reduction was required. Clearly defined and are reasonably segregated from the occupied part of the property must be evidenced.

No award shall be made where it appears to the Council that the reason that part of the property is unoccupied is wholly or mainly for the purposes of applying for Rate Relief.

Rate Relief under this section will not be awarded in respect of partly occupied property where the partial occupation of the property may arise due to the ordinary day to day nature of the business (for example the operation of a warehouse).

Where a backdated application is received, the customer will be required to produce evidence to prove the area was unoccupied for the period the relief relates to. Acceptance of such evidence is at the discretion of Somerset West & Taunton Council. A reason as to why the application wasn't made at the time of need must also be given.

The period of Relief will not exceed either 3 or 6 months depending on the type of property the claim has been made for, in line with the current legislation for part-occupied properties.

## **8. Temporary Measures (Fully Funded by Central Government)**

### **Supporting Small Businesses**

At the Spring Budget, the Chancellor announced that a scheme of relief would be made available to those ratepayers facing large increases as a result of the loss of Small Business or Rural Rate Relief.

The transitional relief scheme does not provide support in respect of changes in reliefs. Therefore, those ratepayers who are losing some or all of their Small Business or Rural Rate Relief may be facing very large percentage increases in bills from 1 April 2017

To support these ratepayers, 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 percentage increase p.a. of 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation. Unlike the transitional relief scheme, for the first year of the scheme the percentage increase is taken against the bill for 31 March 2017 after small business rate relief or rural rate relief , or
- b. a cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief are brought into paying something.

Those on the Supporting Small Businesses relief scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement to fund Small Business Rate Relief while they are eligible for the Supporting Small Businesses Relief scheme.

Ratepayers remain in the Supporting Small Businesses relief scheme for either 5 years or until they reach the bill they would have paid without the scheme. A change of ratepayers will not affect eligibility for the Supporting Small Businesses Relief scheme but eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club

## **8.1 Revaluation Relief – Policy Agreed**

In the Budget on 8 March, the Chancellor announced that the Government would make available a discretionary fund of £300 million 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 revaluation. Local government is best placed to determine how this fund should be targeted and administered to support those businesses and locations within their area that are in the greatest need

The DCLG published a consultation on the design of the discretionary relief on 9 March, seeking views on the allocation of the fund, arrangements for compensation for local authorities, and the operation of local schemes. This can be accessed at: <https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>. Somerset West & Taunton Council proposed share of the £300m is as follows:

- 2017/18 - £148k
- 2018/19 - £72k
- 2019/20 - £30k
- 2020/21 - £4k

### **Other Reliefs -**

Hereditaments eligible for charity or Community Amateur Sports Club relief or hereditaments which are unoccupied are not eligible for Supporting Small Businesses Relief. And, for the avoidance of doubt, small business rate relief or rural rate relief should not be applied to further reduce the bill found under Supporting Small Business Relief.

All other discretionary reliefs, including those funded by section 31 grants, should be considered after the application of Supporting Small Businesses Relief. Supporting Small Business Relief will be applied after the TR amount.

## **8.2 Public House Relief**

**The government has confirmed that this relief will not carry on in 2019/20. However backdating applications can be received up to 30/09/2019**

In the Autumn Budget 2017 the Chancellor announced that the pubs relief scheme would be extended by a further year. The existing guidance and terms for the current scheme will continue to apply in the same way – eligible pubs with a rateable value of below £100,000 will receive a £1000 discount on their bill. The relief will have effect for 2018/19.

The discount is subject to European State Aid de minimis rules. This bars a company from receiving more than €200,000 in State Aid across a rolling three year period.

See '**backdating**' for applications received outside of the financial year in which the relief was allowed to be paid.

### **8.3 Local Newspaper Relief**

The Council has the discretion to discount business rate bills by up to £1,500 in 2017/18 2018/19 and 2019/20 for office space occupied by journalists and reporters of local newspapers.

This is a temporary measure to support local newspapers adapting to technological changes within the industry. The relief is only for local newspapers and will be delivered through local authority discretionary powers (under section 47(3) of the Local Government Finance Act.

There is a maximum of one discount for each local newspaper title and premises. The discount is subject to European State Aid de minimis rules. This bars a company from receiving more than €200,000 in State Aid across a rolling three year period.

This relief does not apply to:

- Local council newspapers
- On-line publications
- Local Magazines

See '**backdating**' for applications received outside of the financial year in which the relief was allowed to be paid.

### **8.4 Retail Discount**

The Council has discretion to discount business rate bills by one third of the daily chargeable amount in 2019/20 and in 2020/21 for retail premises with a rateable value below £51,000. Retail premises must be occupied and wholly or mainly used to sell goods, services or food and drink to visiting members of the public.

As a guide, qualifying businesses may include: See Appendix D

These lists are not exhaustive as it is impossible to list the many and varied retail uses that exist. We will consider retail rate relief for businesses that are broadly similar to those above. As retail rate relief is discretionary, we may decide not to award it if doing so will be against our wider objectives for the local area.

#### **How much relief will be available?**

Retail rate relief for each property in 2019/20 and 2020/21 will be one third, we will assess eligibility and calculate relief on a daily basis. We will award retail rate relief to the net business rates bill after we have applied any other relief.

Ratepayers occupying more than one property will be entitled to relief for each of their eligible properties, subject to State Aid de minimis limits.

We must be satisfied that awarding discretionary rate relief will not result in a business receiving more than €200,000 of De Minimis aid. This will limit the scope for multi-site retailers to get this retail rate relief for all their shops, especially if their business already gets other forms of State Aid. For more information see:

<https://www.gov.uk/government/publications/state-aid-frequently-asked-questions>

## **Applications and Review Process- Retail Discount**

To enable the relief to be awarded quickly to businesses the Council will invite application by applying the relief and issuing adjustment notices. To retain the relief businesses **must** sign and return the state aide form, or make a declaration by using the online form. Relief will be awarded for the financial years, 2019/20 & 2020/21. Relief will be withdrawn in accordance with regulations should there be a change of circumstances that affect the relief awarded.

New applications for Retail Rate Relief should be made in writing using the Council's the on-line application form,

A nominated officer will consider all applications and will make recommendations based on this policy, on whether to grant an award and if so at what rate.

## **9. Local Business Rate Discretionary Discount**

Section 69 of The Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988 and allows the Council to grant locally determined Business Rate Discounts (in addition to the already available Discretionary Rate Reliefs).

The new power recognises that the current business rates scheme is broadly prescribed by central government and its aim is to provide increased flexibility to local authorities to support organisations, recognising the variations in economic conditions across and within local authority boundaries.

Any ratepayer applying for a Local Business Rate Discount who does not meet the criteria for Discretionary Rate Relief under any other part of this policy, must meet all of the following criteria and any award will be based on these factors:

- The ratepayer must not be entitled to Mandatory Rate Relief (Charity or Rural Rate Relief)
- The Rateable Value must be less than £200,000 (RV)
- The ratepayer must not be an organisation that could receive relief as a non-profit making organisation or as Community Amateur Sports Club.
- The ratepayer must occupy the premises – no relief will be granted for unoccupied properties. The premises and the organisation must be of significant benefit to the taxpayers of Somerset West & Taunton Council.
- Provide facilities to certain priority groups such as elderly, disabled, minority or disadvantaged groups, and OR
- Provide significant employment or employment opportunities to residents of Somerset West & Taunton Council
- Provide residents of Somerset West & Taunton Council with such services, opportunities or facilities that cannot be obtained locally or are not provided by another organisation
- The ratepayer must show that the organisation will comply with all legislative requirements and operate in an ethical, sustainable and environmentally friendly manner at all times

Where a ratepayer can demonstrate that all of the above criteria are met, any award must have due regard to:

- the financial status of the applicant when determining the level of relief to be granted, and the impact and best interests of the Council Tax payers of Somerset West & Taunton Council
- It must be noted that the Council will only pay a maximum of **80%** relief, 100% relief will only be considered in the most exceptional circumstances and via the formal appeals process.

Relief will not be given to those organisations where a bar is the main activity. It would be expected that any bar profits would be used to offset any expenses thus negating the reliance on public funds.

### **9.1 Local Discretionary Relief for Young/New Businesses/Innovation Centres**

There is an expectation that an occupier receiving discretionary relief on their business rates under this criteria would engage and work positively with West Somerset & Taunton Council on helping to support corporate priorities and bring benefits for residents and the local area. Before making the offer of relief, an initial meeting will be arranged between appropriate Council officers (with an economic development and regeneration focus) and the occupier to discuss how both parties can work together going forward to bring value and benefits for local residents

- A new Business in its first year of trading can receive rate relief of 60% in the first year or pro-rata of relief, 30% in second year, from year 3 a full charge would be due, unless agreed otherwise.
- The proposal is to treat communal or co-working space in premises designed for the incubation and growth of young businesses as first year start up space, providing 65% rates relief on such space.

**Discretionary Relief will only be considered where the Rateable Value (RV) is up to and including £200,000(RV). Applications received where the (RV) is above this will be reviewed on a case by case basis and not immediately refused, although circumstances would need to be considered to be unique before relief is awarded. Relief will be capped at a maximum of 80% the gross business rates charge with a £200,000(RV), Somerset West Taunton Council recognises that one size doesn't fit all.**

### **9.3 Community Library Partnerships**

Where a Library has been set up as a Charity or Community Interest Company Somerset West and Taunton Council will award Mandatory Relief of 80% and 20% top up, as such no business rates would be payable.

As directed by regulation LGFA 1988 Regulation 47(9) should a Parish Council become a 'trustee' to the Library Somerset West and Taunton Council will award 100% relief.

<https://www.gov.uk/government/collections/community-libraries-good-practice-toolkit>

<http://somersetlibraries.co.uk/redesign/community-library-partnerships/>

<http://somersetlibraries.co.uk/wp-content/uploads/2018/10/Process-for-agreeing-and-establishing-Community-Library-Partnerships.pdf>

## **10. Period of Relief**

Where an application is successful, then the following will be notified in writing:

- The amount of relief granted and the date from which it has been granted;
- If relief has been granted for a specified period, the date on which it will end;
- The new chargeable amount;
- The details of any planned review dates and the notice that will be given in advance of a change to the level of relief granted; and
- All change in circumstances should be notified to the Authority

## **11. Backdating**

Section 47 (7) of the Local Government Finance Act 1988 stipulates that a decision to grant relief for a specific day is invalid if it is made more than 6 months after the end of the financial year in which the day falls. This means that:

- Applications decided before 1 October can be backdated to the start of liability or 1 April of the previous financial year (whichever is the most recent)
- Applications decided after 30 September can only be backdated to the start of liability or 1 April of the current financial year (whichever is the most recent).

Applications could be considered, for example, where the property is used for purposes which are of benefit to the local community but do not fall in any other categories for relief, and it would be in the interests of the Council Tax Payer to make an award, as the Council has to meet a percentage of the cost shown at [Appendix B](#). It could also be used to support regeneration projects within Somerset West & Taunton Council to bring empty properties back into use by way of 'staged occupation'.

## **12. Interaction of Relief Rules**

S43 (8B) LGFA 1988 says that where the ratepayer qualifies for both charitable and small business rates relief then the chargeable amount is calculated using the formula for charitable relief not small business rates relief

Certain properties may be eligible for other types of relief. Under section 61(4) of the Local Government Act 2003:-

- If a property is eligible for charitable relief and small business rates relief, it shall receive charitable relief;
- If a property is eligible for rural rate relief and small business rates relief, it shall receive rural rate relief;
- If a property is eligible for all three reliefs it shall receive charitable relief

### **13. Organisations Receiving Funding from Somerset West & Taunton Council**

Funding includes grants, contracts (including funding from joint commissioning arrangements between the Council and other public agencies) and discounted rent under a community building model lease.

The Council will use its discretion on a case by case basis to offer up to 80% relief to organisations receiving funding from the Council.

The case by case assessment for offering 80% relief to organisations that are funded by the Council will be based on the following information that will be requested on the application form, the Council reserves the right not to award any further relief if it feels the funding already received is sufficient.

1. Their funding arrangement with Somerset West & Taunton Council, including the date when the funding arrangement will come to an end, plus amount received.
2. To outline how the additional discretionary relief applied for would directly support and be reinvested in the activities or initiative that Somerset West & Taunton Council is funding the organisation to undertake
3. The social value for local residents and taxpayers

**Discretionary Relief will only be considered where the Rateable Value (RV) is up to and including £200,000(RV). Applications received where the (RV) is above this will be reviewed on a case by case basis and not immediately refused, although circumstances would need to be considered to be unique before relief is awarded. Relief will be capped at a maximum of 80% the gross business rates charge with a £200,000(RV), Somerset West Taunton Council recognises that one size doesn't fit all.**

### **14. Applications**

A Discretionary Rate Relief form must be completed at all times this can be found on our website at: (enter website address link) – (Firm step)

### **15. State Aid**

State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However the Supporting Small Businesses relief scheme will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013)7.

The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a rolling three year period (consisting of the current financial year and the two previous financial years)



To administer De Minimis it is necessary for the local authority to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. Note that the threshold only relates to aid provided under the De Minimis Regulations

**The Council will issue a declaration form with all awards of discretionary relief, failure to return will result in relief being removed.**

## **16. Approvals**

Any Officer or Councillor involved in the decision-making process for Discretionary Rate Relief or Hardship Relief must declare if they have an interest in or an association with any ratepayer applying.

Upon receipt of the application form the initial assessment to award or refuse Discretionary Rate Relief will be made by a “nominated officer” and their recommendations must be agreed by a “senior nominated officer”

Applicants will be notified in writing of all decisions. A revised Business Rates bill will be issued with an awarding letter informing them of how much relief has been awarded and the dates the relief will be awarded between.

The applicant will be required to apply for further relief when the current period of relief expires

**Approvals will not be required for reliefs given under ‘temporary measures’ a “nominated officer” will have the delegated authority to award relief as per local policy and the legal process.**

## **17. Appeals**

There is no statutory right of appeal against a decision made by the Council in respect of Discretionary Rate Relief. However, a nominated officer, in consultation with the Portfolio Holder, will review the case where it is believed that the policy has not been applied correctly. The appeal meeting will be supported by either a “nominated officer” or “senior nominated officer”. Matters of policy and law will be confirmed by either of the a “nominated officers”

The applicant will be allowed to submit in writing additional or new information/evidence to support the application.

If an unsuccessful applicant requests an appeal, they will still need to continue to pay their business rates. Once the appeal has been heard, the ratepayer will be informed, in writing, of the decision.

Although the amount of relief is restricted to a maximum of **10%** ‘top up’ if receiving 80% Mandatory Relief and **80%** for Discretionary awards (non-funded), in very exceptional circumstances, **100%** Discretionary Rate Relief may be awarded. This would be assessed on a case by case basis and approved by a “nominated officer” supported by an Executive Member.

**Every appeal for Discretionary Rate Relief must be supported by their ward Councillor via letter or email as part of the appeal process. This must be sent for the attention of the “nominated officer” taking ownership of the case.**

The right of appeal process does not affect a ratepayer's legal right to challenge the decision by way of a Judicial Review.

### **18. Policy Review / Amendments**

- The Council reserves the right to review the policy at any time.
- All new temporary measures will receive approval from Executive Members or as required by law.
- Reliefs paid under "temporary measures" will not require approval from a "nominated officer"
- Changes to this policy will be approved by an Executive Member/s & S151 or as required by law

### **19. Communications**

The Council will publicise this Discretionary Rate Reliefs available on its Website

### **21. Fraud**

The Council is committed to reducing fraud in all its forms. An organisation which tries to fraudulently apply for discretionary rate relief by falsely declaring their circumstances, or providing a false statement or evidence in support of their application, may have committed an offence under the Theft Act 1968. Where we suspect that such a fraud may have occurred, the matter will be investigated in line with the Council's Anti-Fraud Strategy. This may lead to criminal proceedings being instigated.

## Appendix A

One or more of the scoring matrixes, listed below, will be applied to each application:

- |  |  |
|--|--|
| <b>1 Reserves as a Percentage of Net Annual Rates</b>  | <b>- up to 30% Discretionary Relief</b>                                      |
| <b>2 Licensed Bar</b>  | <b>- up to 30% Discretionary Relief</b>                                      |
| <b>3 Net Profit</b>  | <b>- up to 80% Discretionary Relief</b>                                      |
| <b>4 Local Community Test</b>  | <b>- up to 50% Discretionary Relief</b>                                      |
| <b>5 Except in the case of National Charity Shops, where an organisation is receiving Mandatory Relief of 80% and would have otherwise qualified for 100% Small Business Rate Relief</b> | <b>- Discretionary Relief up to 100% of the remaining business rate bill</b> |

**Failure to supply adequate records will result in no award**



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted



## **Appendix B**

### **Funding of Reliefs**

With the introduction of the Business Rates Retention Scheme from 1st April 2013, local authorities now share in the gains and losses associated with changes in Business Rates income. The Government hopes that localising Business Rates in this way will incentivise Local Authorities to adopt strategies to promote businesses and generate additional Business Rates income. The introduction of Business Rates Retention has a major impact on the funding arrangements for all Reliefs available which are now financed as follows: 25% by Central Government

44% by Somerset West & Taunton Council

30% by Somerset County Council

1% Devon Fire

**This excludes Transitional Relief, Local Newspapers Relief, Helping Small Businesses, Revaluation Relief, Rural Rate 50% Relief and Retail Discount which are financed at 100% by Central Government.**





## Somerset West and Taunton Council

### Rural Settlement List

Allerford	Luccombe
Angersleigh/Howleigh	Luxborough
Appley/Kittisford	Lydeard St Lawrence
Ashbrittle	Meare Green
Bathealton	
Bathpool	Milverton
Bickenhall	Monksilver
Bicknoller	Monkton Heathfield
Bilbrook	Netherclay/Badger Street
Biscombe	Nettlecombe
Bishopwood	North Curry
Bishops Lydeard (Bishops Ward)	Norton Fitzwarren
Bishops Lydeard (Cothelstone Ward)	Nynehead
Blagdon Hill	Oake
Blue Anchor	Oare
Bossington	Old Cleeve
Bradford-On-Tone	Orchard Portman
Bratton	Otterford/Royston Water
Bridgetown	Pitminster
Brompton Ralph	Poole/Ham
Brompton Regis	Porlock
Brushford	Poundisford/Duddlestone
Burnworthy	Roadwater
Burrowbridge	Rockwell Green
Carhampton	Rodhuish
Cheddon Fitzpaine/Goosenford	Ruishton
Chipley	Runnington
Chipstable	Sampford Arundel
Churchinford	Sampford Brett
Churchstanton	Sampford Moor
Clatworthy	Sandyway
Combe Florey	Selworthy
Corfe	Shoreditch
Cotford St Luke	Shurton
Cothelstone/Terhill	Simonsbath
Creech Heathfield	Skilgate
Creech St Michael	Slough Green
Crowcombe	Staple Fitzpaine
Curload	Stapley
Cushuish	Stathe
Cutcombe	Stawley
Doniford	Stogumber
Dulverton	Stogursey
Dunster	Stoke St Gregory
Dunster Marsh	Stoke St Mary
East Combe	Stringston
East Nynehead	Thornfalcon
East Quantoxhead	Thurlbear
Elworthy	Timberscombe
Exford	Tivington
Exton	Tolland/East Town
Fennington	Tone Vale

Fitzhead	Treborough
Ford Street	Trull/Staplehay
Greenham/Higher Greenham	Upper Cheddon
Greenway	Upton
Halse	Walford
Ham	Washford
Hatch Beauchamp	West Bagborough
Hawkridge	West Buckland
Henlade	West Hatch
Higher Durston/Lower Durston	West Quantoxhead
Holford	Wheddon Cross
Hollywell Lake	Willand
Holman Clavel/Whitewall Corner	Williton
Huish Champflower	Winsford
Hungerford	Withycombe
Kilve	Withypool
Kingston St Mary	Wootton Courtenay
Knapp/Lower Knapp	Wrantage
Langford Budville	Yarford
Langley	
Langley Marsh	

## **Retail Discount**

### **Which properties will benefit from retail business rate relief?**

We have the discretion to discount business rate bills by one third of the daily chargeable amount in 2019/20 and in 2020/21 for retail premises with a rateable value of £51,000 or less. Retail premises must be occupied and wholly or mainly used to sell goods, services or food and drink to visiting members of the public.

As a guide, qualifying businesses may include:

#### **Premises used to sell goods to visiting members of the public:**

- Shops, for example, butchers, bakers, grocers, florists, greengrocers, jewellers, stationers, off-licences, chemists, newsagents, hardware stores
- Furnishing shops or display rooms (for example, carpet shops, double glazing, garage doors)
- Art galleries where art is for sale or hire
- Charity shops
- Opticians
- Car or caravan showrooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres
- Post offices

#### **Premises used to provide the following services to visiting members of the public**

- Hair and beauty services such as hairdressers, nail bars, beauty salons, tanning shops
- Shoe repairs or key cutting
- PC, TV or domestic appliance repair
- Ticket offices, for example for theatre
- Dry-cleaners or Launderettes
- Car hire
- Funeral directors
- Travel agents
- Photo processing
- DVD or video rentals
- Tool hire

#### **Premises used to sell food and/ or drink to visiting members of the public:**

- Restaurants
- Sandwich shops
- Pubs
- Coffee shops
- Takeaways
- Bars

These lists are not exhaustive as it is impossible to list the many and varied retail uses that exist. We will consider retail rate relief for businesses that are broadly similar to those above. As retail rate relief is discretionary, we may decide not to award it if doing so will be against our wider objectives for the local area.

### **Which properties will NOT benefit from retail business rate relief?**

Premises not reasonably accessible to visiting members of the public, or those not wholly or mainly used for the qualifying purpose will not be eligible. The list below sets out the types of uses the Government does not consider being retail use for this relief.

- Financial services, for example banks, building societies, cashpoints, bureau de change, payday lenders, betting shops, pawn brokers
- Medical services such as vets, dentists, doctors, osteopaths, chiropractors
- Professional services such as solicitors, accountants, insurance agents, financial advisers, tutors
- Other services such as estate agents, letting agents, employment agencies
- Post office sorting office

If we decide premises are occupied by businesses broadly similar to those listed above, we will not award retail rate relief.

### **How much relief will be available?**

Retail rate relief for each property in 2019/20 and 2020/21 will be on third we will assess eligibility and calculate relief on a daily basis. We will award retail rate relief to the net business rates bill after we have applied any other relief.

Ratepayers occupying more than one property will be entitled to relief for each of their eligible properties, subject to State Aid de minimis limits.

We must be satisfied that awarding discretionary rate relief will not result in a business receiving more than €200,000 of De Minimis aid. This will limit the scope for multi-site retailers to get this retail rate relief for all their shops, especially if their business already gets other forms of State Aid. For more information see:

<https://www.gov.uk/government/publications/state-aid-frequently-asked-questions>

### **Applications and review process**

To enable the relief to be awarded quickly to businesses the Council will invite application by applying the relief and issuing adjustment notices. To retain the relief businesses **must** sign and return the state aide form, or make a declaration by using the online form. Relief will be awarded for the financial years, 2019/20 & 2020/21. Relief will be withdrawn in accordance with regulations should there be a change of circumstances that affect the relief awarded.

New applications for Retail Rate Relief should be made in writing using the Council's the on-line application form,

A nominated officer will consider all applications and will make recommendations based on this policy, on whether to grant an award and if so at what rate.

# Somerset Equality Impact Assessment

Before completing this EIA please ensure you have read the EIA guidance notes – available from your Equality Officer

<b>Organisation prepared for</b>	<b>Shadow Council: Somerset West and Taunton Council</b>		
<b>Version</b>	<b>1</b>	<b>Date Completed</b>	<b>27/01/2019</b>
<b>Description of what is being impact assessed</b>			
<b>Business Rates Discretionary Relief Policy 2019/20</b>			
<b>Evidence</b>			
<b>What data/information have you used to assess how this policy/service might impact on protected groups?</b>			
Currently we have no data to evidence any dissatisfaction as a direct result of awarding either Mandatory or Discretionary Reliefs. Government guidance and or statute is applied			
<b>Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?</b>			
There are no Consultation implications associated with this report. The policy is a simple refresh, there are no reported cases that would require a formal consultation.			

<b>Analysis of impact on protected groups</b>				
The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.				
<b>Protected group</b>	<b>Summary of impact</b>	<b>Negative outcome</b>	<b>Neutral outcome</b>	<b>Positive outcome</b>
<b>Age</b>	No Impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Disability</b>	No Impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Gender reassignment</b>	No impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Marriage and civil partnership</b>	No impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Pregnancy and maternity</b>	No impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

<b>Race and ethnicity</b>	To mitigate this we would look to include a statement on each communication stating the information can be provided in a different language or format on request	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Religion or belief</b>	No impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Sex</b>	No impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Sexual orientation</b>	No impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.</b>	No impact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

### Negative outcomes action plan

Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>

	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
<b>If negative impacts remain, please provide an explanation below.</b>				
<b>Completed by:</b>	<b>Dean Emery – Principal Revenues and Debt Recovery Officer</b>			
<b>Date</b>	<b>27/01/2019</b>			
<b>Signed off by:</b>				
<b>Date</b>				
<b>Equality Lead/Manager sign off date:</b>				
<b>To be reviewed by: (officer name)</b>				
<b>Review date:</b>				



## Taunton Deane Borough Council

### Shadow Full Council – 21st February 2019

#### North Taunton Woolaway Project

This matter is the responsibility of Executive Councillor Stephen Martin-Scott

Report Author: Jo Humble – Lead Specialist Place

#### 1 Recommendations

- 1.1 The Council approves the project and the progression of the scheme. Council delegates the decisions to progress matters for the scheme to be determined by the Head of Commercial, Investment and Change in consultation with the relevant Portfolio Holder.
- 1.2 The Council approves the proposed funding of the scheme utilising a combination of capital receipts, Social Housing Development Fund revenue contribution, and capital borrowing. Council delegates the final funding arrangement to be determined by the S151 Officer in line with the Council's capital and treasury strategies, prioritising affordability for the Housing Revenue Account.
- 1.3 The Council approves a supplementary budget of £7,200,000 within the HRA Capital Programme for Phase A of the North Taunton Woolaway Project.
- 1.4 Approval is granted to serve Initial and Final Demolition Notices, and for the demolition of properties to enable site clearance to facilitate new development for the whole scheme.
- 1.5 The Council approves the principle to utilise Compulsory Purchase Powers using section 17 of the Housing Act 1985, should Vacant Possession not progress to acquire properties under the regeneration initiative detailed in this report, and to delegate such decision making to the Executive.

#### 2. Corporate Context

- 2.1 The key drivers for the North Taunton Woolaway project are in response to the strategic objectives agreed in the updated Housing Revenue Account (HRA) Business Plan 2016-2046:
  - **Providing Quality Homes.** We are committed to investing in our existing homes to deliver good quality of life for residents and value for the money spent, and to developing new homes that meet local needs.

- **Supporting the most vulnerable.** We are committed to letting homes to people who have the fewest housing options, and will provide additional support that helps people who are older, disabled, or socially excluded to live comfortably in their council-owned home.
  - **Better Service.** We are customer and community focused and are committed to improving our services in line with what our residents have said matters to them. Our approach will support people to move through our social housing to cater for their changing needs and aspirations over time.
  - **A Stronger Business.** We will prioritise efficiency to support delivery of our social priorities and objectives. It sets out how we will improve our business practices, drive out value for money and pursue new activities.
- 2.2 The HRA Revenue budget and 30 Year Business Plan has been updated to reflect the additional income and expenditure arising from this investment. The HRA Business Plan was further supported through the adoption in July 2017 of a new Asset Strategy and a new Development Strategy
- 2.3 Just over 22% of Taunton Deane Borough Council (TDBC) stock is of non-traditional construction housing property types. This includes homes that are built with prefabricated reinforced concrete (PRC) panels or other methods such as steel frames.
- 2.4 Most of TDBC non-traditional construction types have been brought up to licensed repair standards and require no significant additional costs in future compared with properties for traditional construction. The exception is the properties of Woolaway construction.
- 2.5 As part of the development of the Asset Management Strategy the financial performance of the TDBC stock was evaluated, based on 30 year income and expenditure associated with the assets, alongside other non-financial measures of broader neighbourhood sustainability.
- 2.6 Through the evaluation, the asset management model identified 4% of the total stock with an average Net Present Value which is negative. These were exclusively for the Council's properties of Woolaway construction, reflecting the anticipated need for major works to these properties in the medium term.
- 2.7 The North Taunton Woolaway project is providing a prudent and proactive approach to address the stock condition issues of TDBC poorest performing assets.
- 2.8 The Development strategy focused on two keys areas of activity:-
- Opportunity led development that may include TDBC land and wider market opportunities such as rural exception schemes.

- Strategic, asset management led developments that addresses the non-traditional or poor performing stock within TBBC's portfolio.

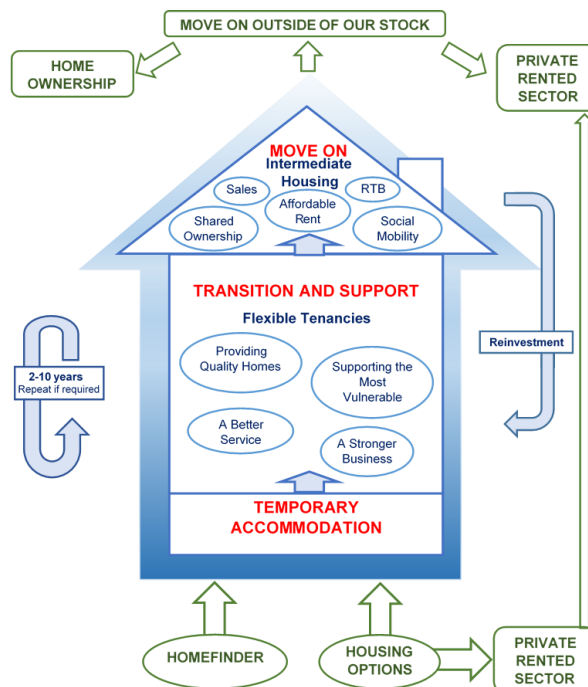
2.9 The Woolaway project fits into the second key area. This strategic focus, combined with learning from previous Council regeneration schemes at Creechbarrow Road and Rockwell Green, have informed the North Taunton Woolaway project's ethos and principles. Engaging and listening to our residents has been a fundamental driver with clear project principles established at project initiation.

2.10 The key project principles include :-

- Existing TDBC Residents within the scheme area will be given the opportunity to remain on a social rent level.
- Existing TDBC Residents within the scheme will be supported to downsize through the scheme design but retain the right to return to the equivalent size property within the new scheme.

2.11 The HRA business plan provides for funding for 15 new homes per annum, which this North Taunton Woolaway project will contribute to. The scheme proposal is underpinned by the TDBC development aspirations and provides additional new, high quality homes.

2.12 The emerging scheme supports the Council's Housing Vision set out in the Housing Revenue Account Business Plan 2016-2046. The following diagram is extracted from the Business Plan and represents the more dynamic service TDBC intends to offer to help people access accommodation that meets their needs at a particular point in their lives.



- 2.13 Within social housing TDBC intends to help people develop stable lives and life skills and then if appropriate, look to help them move into home ownership over time as and when this meets their needs and aspirations. This in turn allows others to begin their social housing journey by freeing up valuable social housing.
- 2.14 Through this scheme TDBC will seek to provide a small supply of alternative housing products. Details of a shared equity arrangement is being developed to offer an alternative low cost homeownership choice. This will complement the Shared Ownership offer which is being piloted at the Weavers Arms, Rockwell Green Development.
- 2.15 Following Taunton's success in becoming a Garden Town the scheme has been an opportunity to embrace Taunton's Garden Town principles and develop a new garden community with the design safeguarding the natural environment, providing areas of planting and open space, and ensuring that people have access to suitable housing and facilities.

### 3 Risk Assessment

- 3.1 A risk and issues register which has been produced for this scheme is shown in **Appendix A**. The primary risks associated with the scheme both directly and indirectly are the following;

<b>Risk</b>	<b>Mitigation</b>
Insufficient funds for the project	Continue to professionally verify cost estimates. Refresh HRA business plan in line with cost estimates. Explore and secure external funding options
Construction Cost estimate is below Tender prices received following contractor procurement	Value engineering exercise would be undertaken with revised phasing and design to an affordable level or revision of the HRA Business Plan capacity would be undertaken.
Changes in Councils responsibilities and income through changes implemented from Central Government.	Continue to monitor legislative changes from Central Government. The scheme will be delivered in a phased basis and would incorporate any future changes in the Councils responsibilities, meaning each phase is manageable within resources.

## **4 Background and Full details of the Report**

### **4.1 Background**

- 4.1.1 Taunton Deane Borough Council (TDBC) owns a variety of non-traditional construction housing property types across the Borough. A Structural Engineering report was carried out in 2013. The report highlighted through testing that the Woolaway units were showing signs of deterioration. This type of non-traditional unit was Designated Defective under the Housing Defect Act 1984. This did not mean that the Woolaway units were unsafe, it prevented any more of the houses being built.
- 4.1.2 In response to the report findings, TDBC undertook a regeneration scheme in Rockwell Green, Wellington. This scheme involved land assembly through the acquisition of a public house and a redundant toilet block in addition to the demolition of 10 Woolaway homes. The scheme is nearing completion and will deliver 26 new affordable homes.
- 4.1.3 TDBC undertook a further assessment during the demolition of the Woolaway units at Rockwell Green. This confirmed the units were in a worse condition than identified in the 2013 report. These findings have accelerated activity in seeking solutions to address the quality of Woolaway housing elsewhere in the Council's stock.
- 4.1.4 TDBC has approximately 240 Woolaway properties across the Borough with the main concentration being in Pyrland and Rowbarton Ward. In February 2017 TDBC had the opportunity to bid for funding from the Ministry of Housing, Communities and Local Government (MHCLG) designed to accelerate Estate Regeneration planning.
- 4.1.5 TDBC were awarded sufficient funding to enable the creation of a Master Planning Team to include expertise in Architecture, Community Consultation, Engineering and Cost Consultancy to support the Development Team in progressing the North Taunton Woolaway Project.
- 4.1.6 The aims of the project are to engage with the community living in the Woolaway properties in the North Taunton area and to work with the community to bring forward a phased regeneration scheme.

### **4.2 Community Engagement**

- 4.2.1 The project aims to be an exemplar project for Estate Regeneration and reflect the aspirations of the Garden Town. Community Engagement and supporting the residents affected by the scheme, have been at the forefront of the projects ethos to regenerate the area providing high quality, energy efficient properties as well as creating a sustainable and healthy living environment that fosters independent living within a strong and thriving community.

- 4.2.2 TDBC established a community hub in a vacant property within the heart of the affected area, where officers are available for residents to 'drop in' should they have any questions or concerns.
- 4.2.3 TDBC Officers worked with residents through individual appointments in their homes, achieving approximately 90% coverage. This is in addition to hosting four public consultations during the past year to obtain views and comments from those affected by the project. The information gathered has influenced the design of the scheme and specific house types.
- 4.2.4 A Residents Design Group was established to help the Master Planning Team capture the local knowledge and develop a scheme which addresses the wider issues affecting the estate and residents. The Group has provided invaluable community representation for the Master planning team to work with.
- 4.2.5 The Design Group consists of 20 residents with a range of housing and lifestyle requirements and a mix of home owners and Taunton Deane tenants. Ten Resident Design Group meetings have taken place between October 2017 and October 2018. These have been followed up by meetings with individual Design Group members at the community hub.
- 4.2.6 The Pyrland and Rowbarton Ward Councillors, Tenant Services Management Board and Tenants Forum have received briefings and updates during the resident consultation phase. The project principles were presented to Members through a Members Briefing in June 2018 and at Strategic Forum in September 2018.

### **4.3 Scheme Proposal**

- 4.3.1 The existing site comprises of 212 Woolaway homes of which Taunton Deane retain ownership of 167.
- 4.3.2 Following an extensive 12 month resident consultation and a range of detailed site investigations, an Outline planning application and Phase A detailed planning application were submitted in December 2018.
- 4.3.3 The scheme Masterplan currently show five phases, A to E. To continue momentum for this development, this Council paper makes a specific request for funding for Phase A.
- 4.3.4 The indicative outline planning application indicates a broad scheme to provide 226 new build homes and refurbish 27 existing TDBC homes through a phased approach. As a result of the indicative scheme there will be a net increase of 86 new TDBC homes with 149 additional bed spaces.

	<b>In TDBC Ownership</b>	<b>In private ownership</b>	<b>Total</b>
Existing Woolaway Homes	167	45	212
(Acquire) & Demolish	140	22	162
Refurb	27	* See note	27
Newbuilds	226		226
Total Proposed	226	27	253
Net Increase in TDBC stock			86
Existing bed spaces			964
Proposed bed spaces			1113

Note: \* There are 23 homes in private ownership within the scheme area which are excluded from planned works. However the Council will be supportive if those private owners wish to undertake their own refurbishment.

- 4.3.5 Subject to planning approval, a tender process would then begin to select the range of professionals, including a build contractor to progress the scheme development with an anticipation to start physical works during our financial year 2020/21.
- 4.3.6 Owing to the complexities and size of the scheme the build period can only be estimated at this time and will range around a 10 year programme. However this will be reviewed as each Phase progresses, seeking opportunity to accelerate and overlap phases where possible.
- 4.3.7 The mix of homes is indicative at this stage and will be reviewed prior to submitting Reserved Matters for subsequent phases. The intention is to undertake the project in five phases, to support the decant requirements of existing residents and enable each phase to be assessed against changes in housing need, affordability and mitigate future unknown changes which may affect the scheme proposal and financing.
- 4.3.8 Each phase will consider the required mix to support the returning decants and provide a range of housing tenures, including affordable rent and a range of options to support residents who aspire to home ownership.

4.3.9 The indicative mix of homes for the whole scheme is:-

<b>Dwelling Type</b>	<b>Occupancy</b>	<b>Number of Units</b>
1B Bungalow	2 persons	2
1B Flat	2 persons	30
2B Flat	3 persons	14
2B Bungalow	3 persons	8
2B House	4 persons	42
3B House	5 persons	94
4B House	6 persons	33
5B House	7 persons	3
Refurb 2B House	3 persons	20
Refurb 3B House	4 persons	7
Community Facility		

4.3.10 From the indicative whole scheme mix, the intended mix for Phase A is:

<b>Dwelling Type</b>	<b>Occupancy</b>	<b>Number of Units</b>
1B Flat over Garage	2 persons	1
1B Bungalow	2 persons	2
1B Flat	2 persons	12
2B Flat over Garage	3 persons	1
2B Flat	3 persons	4
2B Bungalow	4 persons	4
2B House	4 persons	2
3B House	5 persons	5
3B Chalet	6 persons	4
4B House	6 persons	4
Community Facility		

4.3.11 Through the consultation a strong request for a community facility was identified and incorporated into the scheme design, within Phase A. In the event that the community facility is no longer required the facility will be designed to enable conversion to 2 x 2 bed flats. A detailed business case for the operation and revenue funding for a community centre will be developed working with the community through the scheme implementation project plan.

4.3.12 The homes will be built to Nationally Described Space Standards and Housing Quality Indicator layout standards. The homes will be designed predominantly to Building Regulations Part M4 Category 2 with nine anticipated as wheelchair adapted homes at Category 3.

4.3.13 Three design options were developed which considered different levels of refurbishment and new build. A scoring mechanism was established with the Design Group, the external consultant team and TDBC Project Board to score the different options and agree the preferred approach. Each group independently scored option 3 the highest. This option was shown to the whole community at a



consultation event on the 5<sup>th</sup> October 2018.

- 4.3.14 The scheme has been evaluated by the Design Review Panel prior to submission of the planning application. The Panel considered the design process and community consultation process undertaken to date as extremely rigorous and is considered outstanding, in terms of process the Panel were extremely supportive.
- 4.3.15 The Panel welcomed the presentation of previous design iterations that demonstrated the strategic approach and rationale behind the design decisions taken. The Panel considered that, based on the brief and design parameters set, that the design has the potential to be exceptional.
- 4.3.16 The relatively minor recommendations received from the Design Review Panel are being reviewed and incorporated within the scheme design as appropriate.
- 4.3.17 TDBC Officers continue to work closely with affected residents on a one to one basis. The intention is for the current TDBC residents whose homes are subject to demolition to be given the opportunity to return to a new property at a social rent level.
- 4.3.18 The range of property sizes will help to address existing overcrowding and under occupation which have been identified through the community. In line with the key project principles, residents will be supported to downsize through the design of the proposed scheme but retain the right to return to the equivalent size property within the new scheme.
- 4.3.19 Residents within the refurbished area will return to their newly refurbished home unless there are extenuating circumstances.
- 4.3.20 Existing Homeowners within the redevelopment area are in discussion with TDBC officers regarding their personal options and the reasonable offers made by the Council.
- 4.3.21 Statutory Home loss and Disturbance payments will be made in line with legislative guidance.

## **5 Links to Corporate Aims / Priorities**

- 5.1 The scheme supports the Council's Corporate Strategy 2016-2020 – Key Theme 1 – People. The project will facilitate an increase in the availability of affordable homes for local people to both buy and rent. It will develop a range of additional housing types suitable in particular for single person households and elderly people.
- 5.2 The scheme also supports the Housing Revenue Account Business Plan 2016 – 2046 objectives by providing quality homes and supports the Housing Vision to broaden the housing offer to cater for residents housing needs and aspirations.

## 6 Finance / Resource Implications

- 6.1 The total cost of the whole North Taunton Woolaway project as presented in this report is estimated to be in the region of £45m. This is based on a number of assumptions and indicative costs.
- 6.2 The scheme remains subject to planning consent being granted. It is worth noting from the outset, that for a proposed scheme of such duration (up to 10 years) there is an obvious risk that costs can potentially change quite significantly e.g. for price inflation and other market factors. Estimates for price inflation have been included in the estimate, and will need to be carefully monitored at each phase of planning and delivery.
- 6.3 The current proposal is to fund the scheme as detailed in Table 1 below, which has been modelled on the basis of delivering the scheme over a 10-year period.

**Table 1: Proposed Funding Profile for the North Taunton Woolaway project**

	£(000s)
Total Estimated Cost	45,000
Funded by:	
Right to Buy (RTB) Receipts	3,468
Major Repairs Reserve	8,953
External Borrowing	32,579

- 6.4 A number of factors may ultimately influence the funding plan, for example: changes in cost; changes to the proposed build design/mix; and changes to the refurbishment timetable.
- 6.5 It is therefore proposed that the Council agrees to the funding allocations in principle, and delegates' authority to the Section 151 Officer to update this as the programme progresses in line with the Council's capital and treasury strategies, prioritising affordability for the Housing Revenue Account. Any such updates to the funding arrangements would be reported to Councillors through the normal financial reporting process.
- 6.6 The indicative scheme would allow funding from Right to Buy receipts of up to £3.468m to support the increase in dwelling numbers. This is in line with the current Right to Buy policy. If this scheme does not go ahead, and no alternative eligible investment of RTB receipts is made, this would place significant risk on having to hand over these RTB receipts to central Government plus an additional penalty fee of bank base rate plus 4%.
- 6.7 From the overall funding outlined, Phase A is estimated to require a budget of £7.2m. This sum includes a significant contingency sum and may be rolled forward towards subsequent phases if not required.

6.8 Table 2 below details the breakdown of the proposed funding.

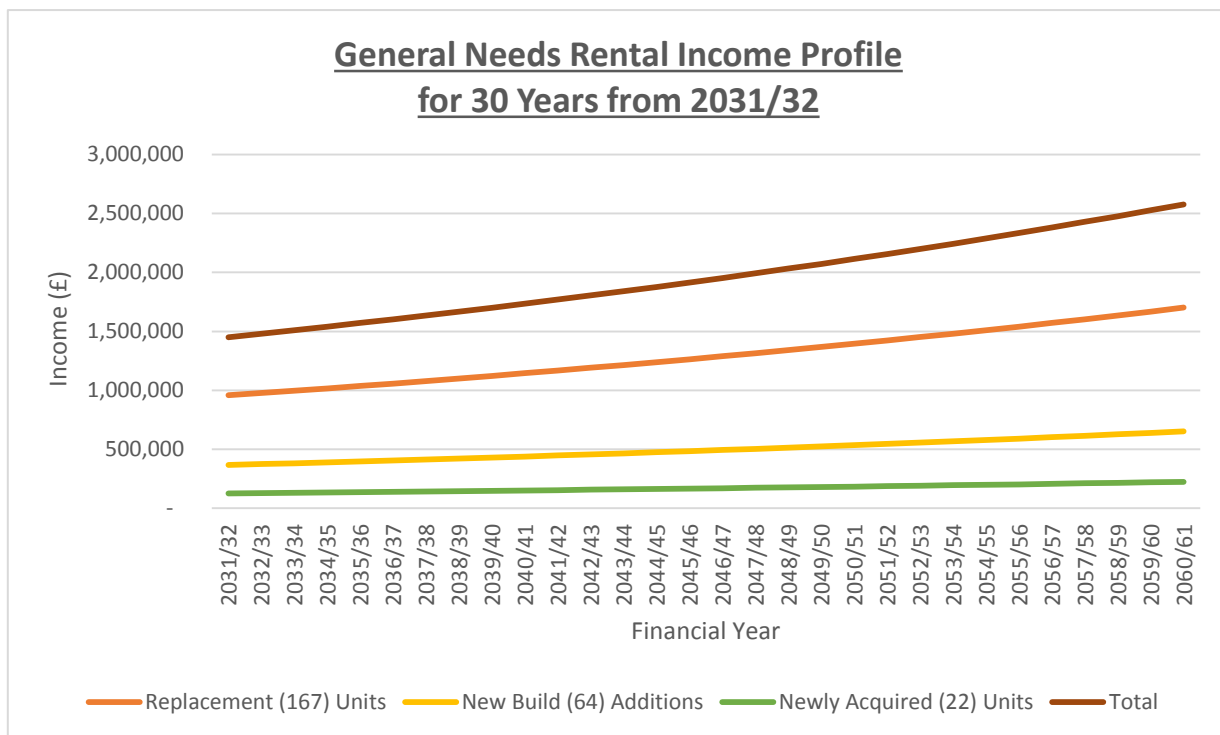
**Table 2: Proposed Funding Profile for Phase A**

	<b>£(000s)</b>
Total Estimated Cost	7,200
Funded by:	
Right to Buy (RTB) Receipts	534
Major Repairs Reserve	0
External Borrowing	6,666

- 6.9 Phase A is predominately social rented properties, providing new homes to existing residents within the regeneration area and includes the Community Centre. Both these factors result in the Phase A scheme requiring more subsidy than future phases which may include a broader range of tenure and income generation.
- 6.10 The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA has yet to be applied at the year-end.
- 6.11 The 30 year Business Plan includes the use of the Major Repairs Reserve to fund the Woolaway replacement. The overall Major Repairs investment/maintenance programme will be re-phased to ensure the affordability of this scheme.
- 6.12 The HRA borrowing cap position has changed in October 2018, in that the original HRA capital debt cap of £115m imposed by government has now been removed. This provides greater freedom to the Council to borrow to fund further investment in viable and affordable social housing development. However it is worth noting that this scheme does enable us to remain within the original debt cap based on the current estimates.
- 6.13 The borrowing will ultimately be executed through external borrowing such as taking out a loan from Public Works Loans Board (PWLb) or another financial institution.
- 6.14 The eventual financing arrangements will be handled through the Council's treasury operations, in line with the Treasury Management Strategy and Policies. Arlingclose, the Council's treasury advisors, will be consulted on appropriate borrowing arrangements to deliver the optimum financing of the scheme.
- 6.15 The financial appraisal and business case has assumed a borrowing rate of 2.99% for financial modelling purposes. This is based on the external rate of borrowing over 50 years which is the maximum loan term available from the PWLB.

- 6.16 At the time of preparing this report the rate available to the Council is lower than 2.99%, building some contingency on the financing cost estimates in the financial model. Financing rates will be closely monitored and arrangements made to secure the most beneficial borrowing rate at the appropriate times.
- 6.17 The cost of the repayment of the principle borrowing can be, and will be, funded within the Business Plan, alongside historical debt repayment. The financial modelling assumes that each phase of additional borrowing for this scheme will be repaid in full over a 50 year period. The Council can borrow at fixed rates, which will provide some certainty for financial planning and manage interest rate risk.
- 6.18 The cost of the repayment of the associated interest costs have been included in the financial modelling for the HRA and are shown as affordable without impacting on HRA reserves. However as the financing arrangements will flow from the phasing of works there is a risk that the cost of borrowing undertaken in future years will vary from business model assumptions.
- 6.19 On completion of the project, from 2031/32 onwards, the estimated income generated by this project over the following 30 years is anticipated to be a total of £58.9 m, of which £38.9m relates to the 167 units remaining rentable, £14.9m to the 64 additional units, and £5.1m to the 22 newly acquired units from private owners, as shown in table 3 below:

**Table 3: Projected income**



- 6.20 Of the additional 86 units, this income of £20m would need to be offset by the additional maintenance costs of £5.2m and would leave net income of £14.8m from the whole project over 30 years from 2031/32. This additional income would provide a positive contribution to the overall business plan, helping to offset housing stock management overheads as well as offset any underperforming properties.
- 6.21 The project to date has received £270,375 of external funding through MHCLG Estate Regeneration Funding and £54,270 through Garden Town funding. This has covered a large proportion of the Resident Consultation phase of the project. Opportunities to secure additional external funding are being explored. In the event additional funding is secured the funding requirement for TDBC will be adjusted as appropriate.
- 6.22 It is reasonable to conclude that, based on what we know now and the reasonable assumptions made, the investment in the North Taunton Woolaway Project is affordable over the long term, as the properties should have a useful life well in excess of 50 years if maintained as planned.
- 6.23 The HRA Revenue Budget and 30 Year Business Plan has been updated (**see Appendix B**) to reflect the additional income and expenditure arising from this investment. A number of assumptions and high level estimates have been made that will need to be reviewed and the Business Plan updated accordingly, as the project progresses through each of the phases of the overall scheme and where more detailed information becomes available.
- 6.24 Whilst reviewing the affordability of Phase A (total phase cost of £7.2m), we have considered the affordability of the whole scheme (£45m) in its entirety, as well as ensuring that other schemes elsewhere can be delivered financially.
- 6.25 The overall scheme, once completed, will maintain and bring online additional units to the housing stock and the generation of £58.9m rental income over 30 years.
- 6.26 There may also be the opportunity of capital receipts depending on the development to offer alternative low cost homeownership choice through a shared equity arrangement. The outcome will be dependent on the details of the scheme and subsequent take-up. This impact of this alternative option will need to be modelled into the Business Plan.
- 6.27 The repayment of the principle borrowing and associated interest costs, and the new income streams and associated maintenance costs will need to be built into the Business Plan as it is extended over the next 50 years accordingly.
- 6.28 National and Local housing policy can influence the position (regardless of this proposal) and usual management of resources and risks will be applied.

## **7 Legal Implications**

- 7.1 The decanting of tenants in the Woolaway houses will require due process to be followed pursuant to the Housing Act 1985 (as amended), including (but not limited to) the publication of a demolition notice under the Act.
- 7.2 Statutory Homeloss and Disturbance payments will be made in line with legislative guidance. As properties are anticipated to be purchased under, or 'under the threat of' the exercise of Compulsory Purchase Order (CPO) powers there is scope for utilisation of the HMG guidance on compensation payments.
- 7.3 The Council is requested also to approve the issue and service of Demolition Notices under the Housing Act 1985.
- 7.4 Whilst the Council intends to work closely with each household and seek agreement to achieve Vacant Possession in the event an acceptable agreement cannot be sought, the Council approves the principle to utilise Compulsory Purchase Powers should Vacant Possession not progress. The CPO will be delegated to Executive in the event this is required.

## **8 Environmental Impact Implications**

- 8.1 New build homes will be constructed to Part L of the Building Regulations which will improve the thermal performance of the dwelling compared to the existing dwelling.
- 8.2 The thermal fabric of the refurbished homes will be improved by upgrading the external wall construction and increasing the insulation. Replacing the windows will also improve the environmental performance of the refurbished dwellings.
- 8.3 More energy efficient central heating will be installed to both the refurbished and newbuild dwellings.
- 8.4 Energy efficient lighting can be installed in the refurbished and new build dwellings and water saving taps will reduce the water consumption.
- 8.5 Externally we aim to increase the Biodiversity opportunities in the neighbourhood. This will include the planting of street trees and creating a new public open space. The project will demonstrate Garden Town Principles.

## **9 Safeguarding and/or Community Safety Implications**

- 9.1 The Crime Prevention Design Advisor was consulted in the development of the Masterplan. Housing has been positioned along streets to provide overlooking of pedestrians.
- 9.2 The former open space at the rear of the flats that was not overlooked presented a security risk and has been removed and replaced by a central overlooked green space.

- 9.3 Courtyard parking has been provided in two locations, but this mixed with dwellings to ensure that the areas can be observed by residents.

## **10 Equality and Diversity Implications**

- 10.1 An initial Equality Impact Assessment (EIA) has been undertaken. Copy attached in **Appendix C**.
- 10.2 The new housing will offer a range of tenure and will be affordable to families of different sizes, older people and disabled people.
- 10.3 The quality of the new housing being provided will help create and encourage better living environments for everyone. As a consequence, it is expected the health outcomes for the area will be improved as well as opportunities for reaching better educational outcomes for households.
- 10.4 Tenants and residents will feel safe in the public realm and feelings of safety and security in the home will improve for all due to the adoption of crime prevention measures in the new development. Compliance with such crime prevention measures have been proven to reduce the opportunity for crime and fear of crime.
- 10.5 The community space and open space will be accessible for all groups in the community reflecting the diversity of the local population, helping to bring people together and foster good relations between different groups.

## **11 Social Value Implications**

- 11.1 The resident consultation phase of the project has delivered social value through providing the opportunity for residents to be actively involved in the scheme design process and provide valued and informed contributions.
- 11.2 Working with a group of residents with no development experience, the Design Group experience has provided the individuals with the necessary skills to comment and critique the scheme design and house types in an informed manner. This has led to a deeper appreciation of the environment they live in.
- 11.3 Social Value will be part of the selection criteria when undertaking the procurement process during the delivery phase.

## **12 Partnership Implications**

- 12.1 Any project opportunities for partnership working with different organisations and agencies that enhance the benefits of the scheme would be explored as they arise, particularly with a focus on the Garden Town status.

### **13 Health and Wellbeing Implications**

- 13.1 Many of the existing dwellings have slopes and steps to the front door. The outline application will review the finished floor levels of the proposed dwellings to comply with Building Regulations Part M.
- 13.2 Nationally Described Space Standard guidance specifies storage provision, floor to ceiling heights, and minimum room widths. These features go some way to futureproofing properties, allowing residents' scope to benefit from some of the principles of lifetime homes.
- 13.3 The improved space standards including the provision of a ground floor WC will contribute to the improve health and wellbeing of the residents.
- 13.4 A wider range of house types will be re-provided. This will provide greater opportunities for families to live in the neighbourhood as their children grow.
- 13.5 Ten bungalows are proposed which will assist elderly and disabled residents to live in the neighbourhood. Seventeen chalets are proposed which are family homes with a ground floor bedroom and open plan living space to accommodate families with specific access requirements. The ground floor bedroom provides an opportunity for residents to continue to live independently by allowing greater privacy and dignity for individuals wishing to be cared for at home and supported by the local community.
- 13.6 Existing routes have been maintained and improved including permeable pedestrian connections to Lyngford Lane to promote walking and cycling, an opportunity for exercise and links to local facilities.
- 13.7 The location of the North Taunton Woolaway Project allows residents to access existing services and local facilities such as Priorswood Shops and Lyngford Park, as well as a regular bus service.
- 13.8 Community facilities provide a focal point for local people to get together facilitating and enhancing community spirit and interactions.

### **14 Asset Management Implications**

- 14.1 TDBC as a provider of social housing, is faced with a stock of older houses and they continue to need a large programme of investment to keep them up to date. With changing tastes and preferences, accommodation that is no longer suitable or acceptable to tenants will need to be replaced.
- 14.2 Dwellings, such as Woolaways, which are 'Designated Defective' under the Housing Act 1984. Unless action is taken to address the structural defects, the properties will continue to deteriorate increasing the problems of a poor environment and an unsustainable community.



- 14.3 Providing the properties with modern, energy efficient, affordable homes will vastly improve the living standards for residents with a balanced range of tenures and property sizes to provide a sustainable community of high quality homes. In addition, increasing the scheme density will generate greater income.
- 14.4 From an Asset Management perspective, being proactive by taking a commercial approach to the long term investment needs of the housing stock, is widely acknowledged as being good practice and making 'best use of assets'.
- 14.5 The HRA Asset Strategy 2016 recognised the Woolaway house type as TDBC's lowest performing stock with a limited life expectancy and high future maintenance costs.

## **15 Data Protection Implications**

- 15.1 All personal data is held in accordance with GDPR regulations.

## **16 Consultation Implications**

- 16.1 An extensive resident consultation has been undertaken over the previous 12 months, providing a detailed understanding and demographic profile of the existing community, and its potential future needs has been created. This information has been captured through the Equality Impact Assessment.
- 16.2 The consultation included four public consultation events, the opportunity for home visits from the project team alongside the project team being based in an office hub to provide a 'drop in' facility for the residents.
- 16.3 The scheme proposals have evolved in consultation with a project Design Group. The Design Group consists of 20 residents with a range of housing and lifestyle requirements and a mix of home owners and Taunton Deane Tenants.

## **17 Scrutiny Comments / Recommendation(s) (if any)**

- 17.1 The North Taunton Woolaway project report has been presented to Tenants Service Management Board, 21<sup>st</sup> January 2019, Shadow Scrutiny 04<sup>th</sup> February 2019 and Shadow Executive 11<sup>th</sup> February 2019. At each meeting the project and the report recommendations have been supported unanimously.
- 17.2 A range of questions and clarifications were raised through these meetings. The following covers the points raised which are in addition to those not already covered within the paper:-

**17.2.1 Garden Town:** As an established community, the project area has been identified as a new garden community, with proposals for redevelopment/refurbishment providing the potential to incorporate garden town principles within the scheme. This would include safeguarding the natural

environment, providing areas of planting and open space and ensuring that people have access to suitable housing and facilities.

Proposals to increase the number of trees in the area and provision of in-built bird and bat boxes and hedgehog holes in fences throughout the site.

Consultation will be carried out with the community regarding the use and design of the open space within the scheme.

**17.2.2 Energy Efficiency:** Sustainable design features are being considered ensuring that new homes meet the required building regulations in terms of energy efficiency.

**17.2.3 Energy Performance Certificates:** As an example a two bed semi-detached non repaired Woolaway within the project area has an EPC rating of 57 (D). Whereas a two bed semi-detached new build house on the Council's newly developed Creechbarrow Road development has an EPC rating of 88 (B).

**17.2.4 Electric Charging Points:** The consultant team are reviewing the proposed scheme with the view of including electric car charging points at various locations across the scheme.

**17.2.5 Design Review Panel:** The scheme has been presented to the Design Review Panel and received positive feedback. An extract from the feedback received is as follows: "It is considered that the design process and community consultation process taken to date has been extremely rigorous and is considered to be outstanding; in terms of process the panel are extremely supportive. The panel also welcomes the presentation of previous design iterations that clearly demonstrate the strategic approach and rationale behind the design decision taken. In light of the above, the Panel considers, that based upon the brief and design parameters set, that the design has the potential to be exceptional".

#### **Democratic Path:**

- **Tenants Services Management Board** – 21<sup>st</sup> January 2019
- **Shadow Scrutiny**– 4<sup>th</sup> February 2019
- **Shadow Executive** – 11<sup>th</sup> February 2019
- **Shadow Full Council** – Scheduled for 21<sup>st</sup> February 2019

**Reporting Frequency:**  **Once only**       **Ad-hoc**     **Quarterly**

**Twice-yearly**       **Annually**

**List of Appendices**

Appendix A	Risk Register
Appendix B	HRA Business Plan extract
Appendix C	Equality Impact Assessment

**Contact Officers**

Name	Jo Humble Lead Specialist Place		
Direct Dial	07808 847 361		
Email	j.humble@tauntondeane.gov.uk		



Risk no.	Date raised	Risk/issue description and effects	Risk Owner	Existing Control Measures	Current Assessment		Score	Proximity	Consequence	Mitigation Measure	Target score		Score
					Probability	Impact					Probability	Impact	
<b>Corporate Risk</b>													
1	May-18	Failure to secure Council approval for project recommendations	TDBC - JH/RS	Members informed and updated through transparent and clear communications. Portfolio Holder member of Project Board	Possible (3)	Major (4)	12	October to December 2018	- Housing Asset remains in state of disrepair - Reputational damage - Loss of community trust - Financial loss through abortive works	Governance of the Project is followed. Internal and external communications are transparent, clear and informative. Outline of project presented to Members Briefing and Strategic Forum	Unlikely (2)	Moderate (3)	6
2	May-18	Lack of continuity in staff dedicated to the project	TDBC - JH/RS	Dedicated project team with range of skills embedded within the community.	Possible (3)	Major (4)	12	April 2019	- Loss of project specific and development knowledge/expertise. - Insufficient resource to progress development and support community	Project Sponsor and Transformation Lead to be kept informed of project progress and resource requirements. The project has been identified as a major project with in the new CIC functional area. Four officers associated with the scheme have secured roles in the new Council.	Possible (3)	Moderate (3)	9
3	May-18	Reputational damage from project delays and failure to deliver	TDBC - JH/RS	Robust project management with achievable and realistic milestones within the programme	Possible (3)	Major (4)	12	Duration of project	- Loss of community trust and support for the project and Council - Financial Loss through abortive works	Continuation of robust project management and retaining skilled resource with development expertise	Unlikely (2)	Moderate (3)	6
4	May-18	Resident opposition to scheme proposal	TDBC - JH/RS	Extensive resident engagement, including resident design group, 121 resident visit and public consultation, dedicated project team	Possible (3)	Major (4)	12	Duration of project	- Loss of trust of the community - Financial Loss through abortive works	Continue with project team embedded within the Community to support each resident	Unlikely (2)	Moderate (3)	6
<b>Planning Risk</b>													
5	May-18	Refusal of Planning Permission	TDBC - JH/RS	Continuous consultation with planning officers, Highways and local residents to inform the scheme proposal	Possible (3)	Major (4)	12	November 2018 to April 2019	- Housing Asset remains in state of disrepair - Reputational damage - Loss of community trust - Project delay and possible increase in project costs	Continue to work with planning officers, Highways and local residents to agree a financially viable and deliverable scheme proposal.	Possible (3)	Moderate (3)	9
6	Aug-18	Failure to meet Scheme Design Requirements	TDBC - JH/RS	Architect and planning officer working closely on design and incorporating Garden Town Principles and TDBC design standards	Possible (3)	Major (4)	12	November 2018 to April 2019	- Failure to obtain planning permission	Agree design principles with Architect and planning officer to develop sustainable, exemplar Garden Town scheme Submit scheme to Design Review Panel	Unlikely (2)	Moderate (3)	6
7	Aug-18	Change in planning legislation	TDBC - JH/RS	Architect and planning officer working closely to ensure scheme design meets revised planning requirements	Possible (3)	Major (4)	12	November 2018 to April 2019	- Failure to obtain planning permission	Identify planning legislation changes and amend the scheme design to meet the changes or justify where changes can not be made.	Unlikely (2)	Moderate (3)	6
<b>Financial Risk</b>													
8	Aug-18	Insufficient funds for the project	TDBC - JH/RS	Professional appraisal of cost estimates. Close working with Finance, particularly in relation to HRA funding capacity. External funding secured for pre application resident consultation and progressing to planning application stage.	Likely (4)	Major (4)	16	Duration of project	- Housing Asset remains in state of disrepair - Reputational damage - Loss of community trust - Project delay and possible increase in project costs	Continue to professionally verify cost estimates. Refresh HRA business plan in line with cost estimates explore and secure external funding options	Possible (3)	Moderate (3)	9

9	Aug-18	Construction Cost estimate is below Tender prices received following contractor procurement	TDBC - JH/RS	Professional appraisal of cost estimates provided. Procurement to be undertaken through existing Framework	Likely (4)	Major (4)	16	2019/2020	Scheme exceeds estimated costs	Value engineering exercise would be undertaken with revised phasing and design to an affordable level or a revision of the HRA Business Plan capacity would be undertaken.	Possible (3)	Moderate (3)	9
10	Aug-18	Changes to Statutory Home loss and Disturbance allowance criteria	TDBC - JH/RS	Financial estimates based on 2018 allowance levels	Likely (4)	Moderate (3)	12	Duration of resident decant	Additional cost to scheme	Contingency increase included within scheme profiling	Unlikely (2)	Moderate (3)	6
11	Aug-18	Changes in Councils responsibilities and income through changes implemented from Central Government.	TDBC - JH/RS	Working within current guidelines and Statutory responsibilities	Likely (4)	Major (4)	16	Duration of project	Additional cost to scheme or restriction in funding owing to changes implemented	Continue to monitor legislative changes. The scheme will be delivered in a phased basis and would incorporate any future changes in the Councils responsibilities, meaning each phase is manageable within resources.	Likely (4)	Moderate (3)	12
12	May-18	Failure to obtain vacant possession as required	TDBC - JH/RS	Identify and develop future housing options for existing residents. .	Possible (3)	Major (4)	12	Duration of project	- Financial loss through abortive works and project delays - Reputational damage	- work with each resident on their housing options - Implement Compulsory Purchase Orders	Unlikely (2)	Moderate (3)	6

#### Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium -10	High (15)	Very High -20	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium -12	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High -15
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium -8	Medium -10
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
<b>Impact</b>							

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

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted





# Somerset Equality Impact Assessment

Before completing this EIA please ensure you have read the EIA guidance notes – available from your Equality Officer

<b>Organisation prepared for</b>	<b>Taunton Deane Borough Council</b>		
<b>Version</b>	<b>1</b>	<b>Date Completed</b>	<b>December 2018</b>

## Description of what is being impact assessed

**Taunton Deane Borough Council - North Taunton Woolaway Project.**

The main purposes of the project are:-

- To refurbish and replace stock deemed defective under the 1984 Housing Act
- To provide housing where there is a 'need' within the Borough
- Provide housing that is sustainable and energy efficient
- Replace housing stock which decreases annually through Right to Buys

## Evidence

**What data/information have you used to assess how this policy/service might impact on protected groups?** Sources such as the [Office of National Statistics](#), [Somerset Intelligence Partnership](#), [Somerset's Joint Strategic Needs Analysis \(JSNA\)](#), Staff and/ or [area profiles](#), should be detailed here

Through the extensive resident consultation undertaken over the previous 12 months a detailed understanding and demographic profile of the existing community and its potential future needs has been created.

This consultation included four public consultation events in a venue selected for its close proximity and accessibility to the affected residents, the opportunity for home visits from the project team alongside the project team being based in an office hub to provide a 'drop in' facility for the residents.

The scheme proposals have evolved in consultation with a project Design Group. The Design Group consists of xxx residents with a range of housing and lifestyle requirements and a mix of home owners and Taunton Deane Tenants.

In addition to information gathered through the resident consultation, the community profile has been further populated through information held by the Somerset Intelligence Partnership, specifically the area Indices of Multiple Deprivation results.

Housing needs have been further informed by data held within the Choice Based Lettings System 'Homefinder Somerset'.

**Who have you consulted with to assess possible impact on protected groups?** If you have not consulted other people, please explain why?

The demographic profiles includes every single household within the projects redline area. The information gathered, particularly through 1-2-1 home visits included completing questionnaires to help identify vulnerable and protected groups.

The project team have worked across a range of agencies and partners within the Priorswood 'One Team' area.

To assist with Skills and Learning, Somerset Academy and Skills and Learning Council have been invited to discussions. The local primary school and doctors surgery have been provided with progress updates.

Taunton Deane Borough Council Tenants Forum and Tenant Services Management Board have received regular feedback on the project and provided views and considerations.

Taunton Deane Members have been briefed on the purpose of the project at a Members Briefing and a Strategic Forum where initial views, comments and suggestions were given.

<b>Analysis of impact on protected groups</b>				
The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.				
<b>Protected group</b>	<b>Summary of impact</b>	<b>Negative outcome</b>	<b>Neutral outcome</b>	<b>Positive outcome</b>
<b>Age</b>	<ul style="list-style-type: none"> <li>The increased choice of affordable housing type, size and tenure provides housing options for all age groups.</li> <li>For rented properties Lettings will be taken from the choice based lettings system 'Homefinder Somerset' which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</li> </ul>	□	□	☒
<b>Disability</b>	<ul style="list-style-type: none"> <li>Specific provision for a range of adapted properties has been made within the scheme proposal to provide a housing choice for those with a disability</li> <li>For rented properties Lettings will be taken from the choice based lettings system 'Homefinder Somerset' which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</li> </ul>	□	□	☒
<b>Gender reassignment</b>	<ul style="list-style-type: none"> <li>The increased choice of affordable housing type, size and tenure provides housing options that will not negatively impact on this protected group.</li> </ul>	□	□	☒

	<ul style="list-style-type: none"> <li>For rented properties Lettings will be taken from the choice based lettings system 'Homefinder Somerset' which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</li> </ul>			
<b>Marriage and civil partnership</b>	<ul style="list-style-type: none"> <li>The increased choice of affordable housing type, size and tenure provides housing options that will not negatively impact on this protected group.</li> <li>For rented properties Lettings will be taken from the choice based lettings system 'Homefinder Somerset' which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</li> </ul>	□	□	☒
<b>Pregnancy and maternity</b>	<ul style="list-style-type: none"> <li>The increased choice of affordable housing type, size and tenure provides housing options that will not negatively impact on this protected group.</li> <li>For rented properties Lettings will be taken from the choice based lettings system 'Homefinder Somerset' which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</li> </ul>	□	□	☒
<b>Race and ethnicity</b>	<ul style="list-style-type: none"> <li>The increased choice of affordable housing type, size and tenure provides housing options that will not negatively impact on this protected group.</li> <li>For rented properties Lettings will be taken from the choice based lettings system 'Homefinder Somerset' which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</li> </ul>	□	□	☒

<p><b>Religion or belief</b></p>	<ul style="list-style-type: none"> <li>• The increased choice of affordable housing type, size and tenure provides housing options that will not negatively impact on this protected group.</li> <li>• For rented properties Lettings will be taken from the choice based lettings system 'Homefinder Somerset' which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b>Sex</b></p>	<ul style="list-style-type: none"> <li>• The increased choice of affordable housing type, size and tenure provides housing options that will not negatively impact on this protected group.</li> <li>• For rented properties Lettings will be taken from the choice based lettings system 'Homefinder Somerset' which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b>Sexual orientation</b></p>	<ul style="list-style-type: none"> <li>• The increased choice of affordable housing type, size and tenure provides housing options that will not negatively impact on this protected group.</li> <li>• For rented properties Lettings will be taken from the choice based lettings system 'Homefinder Somerset' which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b>Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.</b></p>	<ul style="list-style-type: none"> <li>•</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Negative outcomes action plan</b> Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.				
Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
No adverse equality impact identified. These have been mitigated through an extensive 12 month resident consultation process and the resultant scheme design.  Any negative outcomes which may emerge during the scheme development will be addressed through strong project management and identifiable workstreams.	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
<b>If negative impacts remain, please provide an explanation below.</b>				

<b>Completed by:</b>	<b>Jo Humble – Lead Specialist Place</b>
<b>Date</b>	<b>11 December 2018</b>
<b>Signed off by:</b>	
<b>Date</b>	
<b>Equality Lead/Manager sign off date:</b>	
<b>To be reviewed by: (officer name)</b>	
<b>Review date:</b>	

