

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

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

Likelihood of risk occurring	Indicator	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 14th 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:

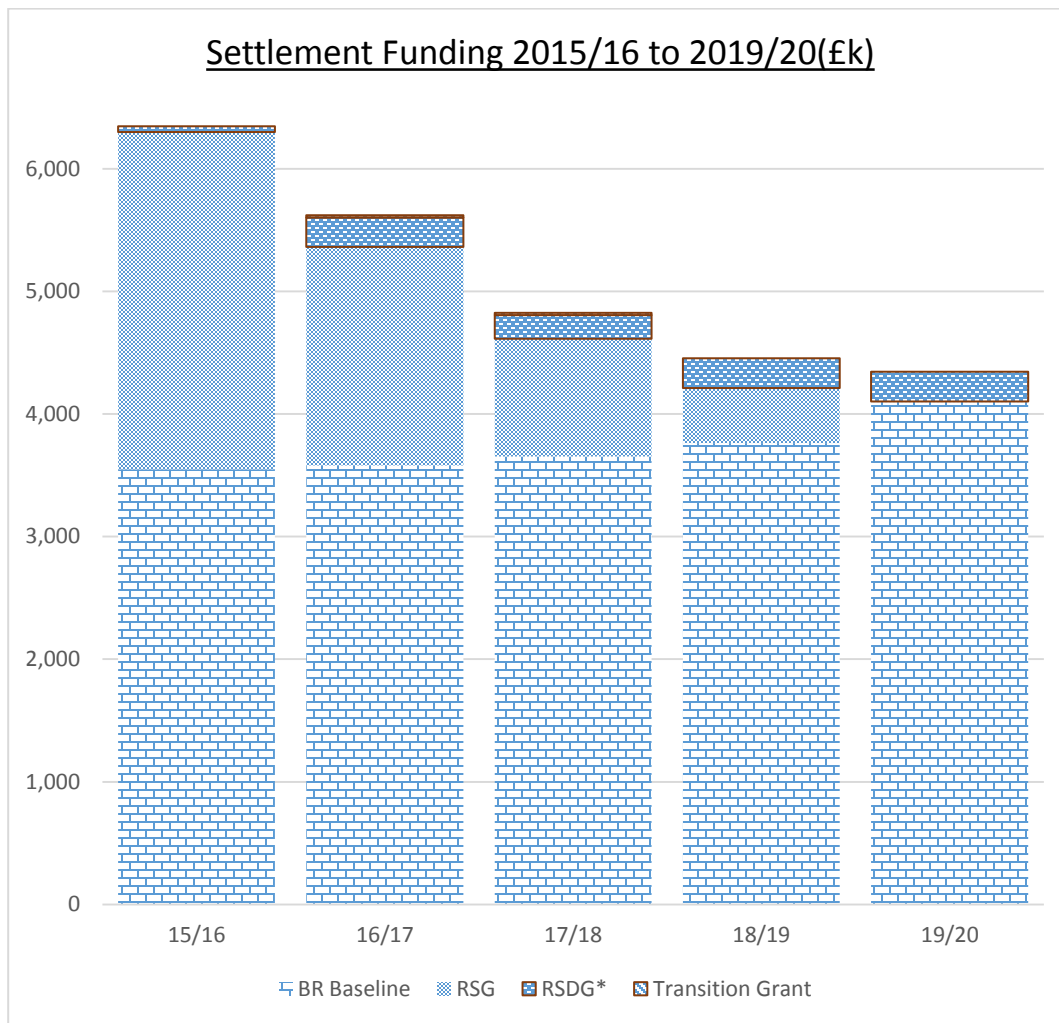
Table 1 – General Government Grant

	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	-	-
Total General Revenue Grant Funding	691,487	247,846	-443,641	-64%

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
Government Settlement	6,347	5,621	4,825	4,454	4,344



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

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

- 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

Business Rates Retention Funding Estimates	2018/19 Budget £	2019/20 Estimate 75% Pool £	Indicative (50% Scheme) 2020/21 Estimate £
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
Net Retained Business Rates Funding	5,556,147	6,528,746	4,797,881
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	
New Homes Bonus Grant	3,960,977	3,809,209	-151,768	-4%

- 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
Total NHB Grant allocation related to 2019/20	£851,411

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

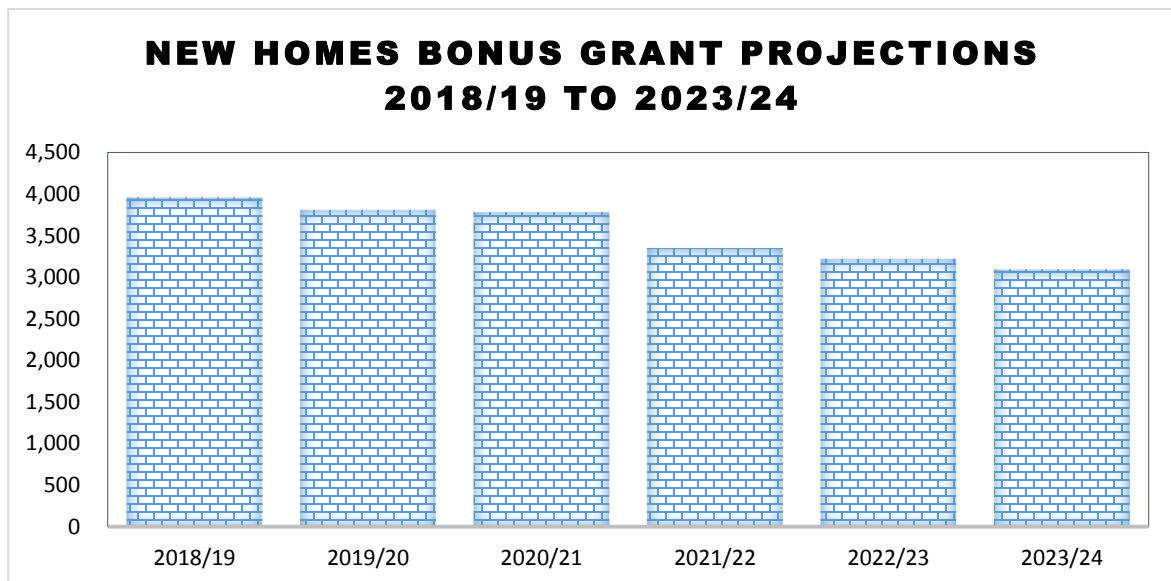
**growth is rewarded 80% to lower tier (District), 20% to upper tier (County)

- 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
Total	3,960	3,808	3,783	3,350	3,219	3,095	21,215

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 $56,622.8 \times £157.88 = £8,939,605$. 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.

	TDBC/WSC Budget 2018/19 £	SWT Budget 2019/20 £
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
AUTHORITY EXPENDITURE	20,287,735	24,207,110
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	8,630,924	9,038,695
Divided by Council Tax Base	55,574.2	56,622.8
Council Tax Band D – SWT Services	153.56	157.88
Council Tax Band D – Somerset Rivers Authority	1.74	1.75
Council Tax Band D – SWT including SRA	155.30	159.63
Cost per week per Band D equivalent	2.98	3.05

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

	£k	£k
Net Expenditure Base Budget 2018/19		20,288
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	
Subtotal costs		-248
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	
Subtotal Reserve movement		4,167
Net Expenditure Base Budget 2019/20		24,207

	£k	£k
Total Funding 2018/19		-20,288
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	
Subtotal - change in funding		-3,919
Total Funding 2019/20		-24,207

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
Net Expenditure	18,459,357	22,378,478	18,318,758	18,159,792	18,699,262	18,946,375
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
Net Funding	18,459,357	22,378,478	18,364,403	18,441,303	18,839,712	19,265,689
Budget Gap	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
Total Annual Savings	197	2,195	2,273	2,376	2,376

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
Net Expenditure	22,379	18,165	18,121	18,661	18,908
Net Funding	22,379	18,326	18,402	18,801	19,227
Previous Budget Gap Forecast (Shadow Scrutiny 5 Feb/Shadow Executive 11 Feb)	0	-161	-281	-140	-319
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			
Impact on MTFP	0	115	0	0	0
Revised Budget Gap	0	-46	-281	-140	-319

- 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
Projected Balance 31 March 2019	2,828
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 £	
DLO Schemes:								
Vehicle Replacement	152,000	2	152,000					152,000
Plant and Equipment	23,000	2	23,000					23,000
Sub-Total	175,000		175,000	0	0	0		175,000
General Schemes:								
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	
Sub-Total	9,746,740		375,000	1,695,000	0	176,740	7,500,000	9,746,740
NHB Growth Schemes:								
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
Sub-Total	2,027,000		0	0	2,027,000	0	0	2,027,000
Community Infrastructure Levy								
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				
Sub-Total	6,000,000							
Grand Total	17,773,740		375,000	7,695,000	2,027,000	176,740	7,500,000	17,773,740

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 has just 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 (often 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	4,150
Taunton Town Centre regeneration	14	161	875	991	427	309	2,777
Employment site enabling and innovation to promote Growth	0	16	85	536	1,600	1,500	3,737
Taunton Strategic Flood Alleviation	0	152	483	500	2,000	2,500	5,635
New Garden Communities	0	0	0	0	0	0	0
Marketing Promotion and Inward Investment	102	110	29	0	0	0	242
Preparation of LDO's	59	0	0	0	0	0	59
Total expected investment	175	440	2,122	2,027	6,902	4,934	16,600

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
Total allocations	6,000,000	3,000,000	3,500,000	3,000,000	15,500,000

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 (BRR) 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

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