

Somerset West and Taunton Council

Shadow Scrutiny Committee – 5th February 2019

Draft General Fund Revenue Budget and Capital Estimates 2019/20

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

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1 Executive Summary

- 1.1 This report sets out the first revenue and capital budget proposals for the new Somerset West and Taunton Council. It combines the previous budgets of Taunton Deane and West Somerset Councils for the services they provide with updated assumptions in regard of the finance settlement for 2019/20 and other financial projections.
- 1.1 The report is provides Shadow Scrutiny Committee with an update on budget estimates for 2019/20, Medium Term Financial Plan (MTFP) forecasts, and draft 2019/20 Capital Programme and the proposed sources of funding.
- 1.2 The provisional funding settlement was issued by Government during December, 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.
- 1.3 Executive is minded to set a uniform annual Band D council tax rate of £157.88 which together with an increased tax base provides additional council tax income of £405,662 compared to 2018/19.
- 1.4 Executive is also minded to retain the annual council tax rate at £3.02 for a Band D for the Unparished Area of Taunton which will raise an additional £1,449 due to the tax base increase.
- 1.5 The 2019/20 draft budget also includes a prior year net Collection Fund surplus of £1,448,216 (£1,331,905 business rates surplus, £116,311 council tax surplus).
- 1.6 Executive is also minded to transfer £1,331,905 to the business rates smoothing reserve in 2019/20 in respect of the business rates collection fund surplus, reflecting the need to mitigate funding volatility and risk under the business rates funding system.

2 Recommendations

- 2.1 Shadow Scrutiny notes the draft revenue budget estimates and proposals and refers any comments to Shadow Executive.
- 2.2 That Shadow Scrutiny supports a recommendation to the Executive and Full Council to approve the new capital schemes of the General Fund Capital Programme Budget of £2.247m for 2019/20, plus £13.864m in respect of the NHB Growth and Programme as set out in Appendix A and Table 10 and £15.5m allocations for Community Infrastructure Projects as set out in Appendix A and Table 11.
- 2.3 Shadow Scrutiny is recommended to support the proposed changes to fees and charges for open spaces as per the attached Appendix N.

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 (1)</i>	<i>Major (4)</i>	<i>Low (4)</i>

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 draft 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 Provisional Finance Settlement 2019/20

- 5.1 The Provisional Finance Settlement was received on 13 December 2018 with the Final Settlement expected to be confirmed at the end of January 2019.
- 5.2 The impact of the Provisional Settlement was provided to All Councillors on the 14th December. These changes have been 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:

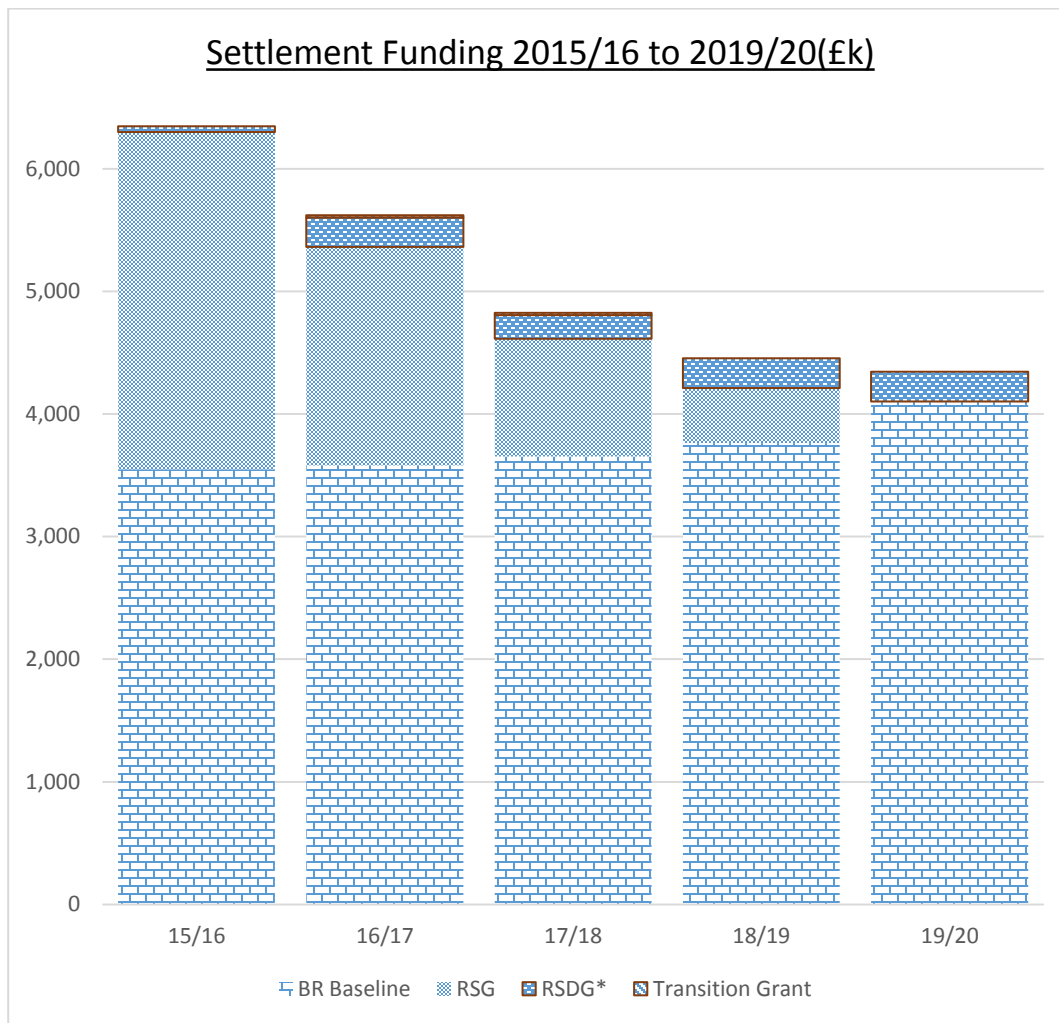
Table 1 – General Government Grant

	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
BR 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

- 9.3 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.

- 9.4 The confirmed NHB Grant for 2019/20 is £3,809,209, which is £151,768 or 4% less than 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%

- 9.5 The Government has not revised the changes to the New Homes Bonus methodology that was 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).
- 9.6 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 2017 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

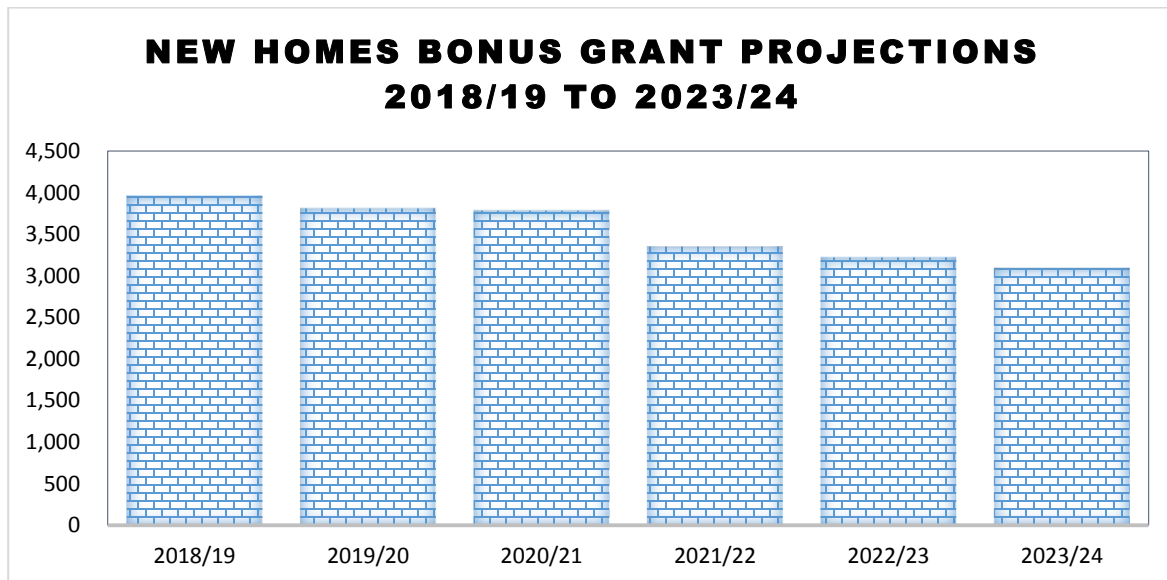
**growth is rewarded 80% to lower tier (District), 20% to upper tier (County)

- 9.7 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.
- 9.8 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

9.9 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 Executive are minded to recommend 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

- 11.2 The 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 £1,449 per year in tax income.
- 11.3 The proposed budget for 2019/20 is therefore £46,983, entirely funded through Special Expenses levied within the unparished area.

12 Somerset Rivers Authority

- 12.2 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

- 13.2 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	14,148,279
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	6,527,840
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	
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		-852
Contribution to Economic Growth and Prosperity Fund	1,200	
Transfer to Business Rates Smoothing Reserve	3,732	
Reduction in NHB contribution to reserves	-84	

Remove previous year transfers to reserves	-210	
Negative RSG - Contingency	128	
Use of Leisure Reserve	-62	
Other Reserve Adjustments	67	
Subtotal Reserve movement		4,771
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	-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	14,148,279	14,096,828	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	46,983	47,641	48,308	48,985	49,670
Earmarked Reserves-Growth	3,172,576	3,089,209	3,183,714	2,800,666	2,719,432	2,594,664
Earmarked Reserves-Other	-215,487	3,438,631	250,194	250,194	194	194
Economic Growth and Prosperity	0	1,200,000	0	0	0	0
Net Expenditure	18,459,357	22,378,732	18,164,952	18,120,860	18,660,340	18,907,460
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	-3,783,714	-3,350,666	-3,219,432	-3,094,664
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	-46,983	-47,641	-48,308	-48,985	-49,670
Council Tax prior year surplus/deficit	-115,977	-116,311	0	0	0	0
Net Funding	18,459,357	22,378,732	18,325,597	18,402,371	18,800,790	19,226,774
Budget Gap	0	0	-160,645	-281,511	-140,450	-319,314
Gap – Change on Previous Year	0	0	-160,645	-120,866	141,061	-178,864

Transformation of Services

- 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

Contract Procurement Savings

- 14.3 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 Fees and Charges

- 15.1 A charge has been applied (in TDBC) since 2006 for the hire of its parks and open spaces for events. It is proposed that Somerset West and Taunton continue with the fees as previously set with the inclusion of those from WSC in the same charging profile. It has come to light that a number of sites were accidentally excluded from the previous fees and charges report, and therefore these have been included in the revised Appendix N. They are the sites at Blenheim Gardens, Minehead Esplanade and Harbour. With this being the first year that WSC assets have been included it is unclear the level of take up there will be and as a result there is no impact upon the MTFP.

16 General Reserves

- 16.1 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

- 16.2 A review of the level of General Reserves has recently been undertaken for the new council. 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.

17 2019/20 General Fund Capital Programme

- 17.1 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

- 17.2 The recommended General Fund Capital Programme for 2019/20 totals £10.274m. Table 9 details bids submitted for General Fund Schemes. The table summarise the bids that have been presented by services for consideration.

- 17.3 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				
			RCCO £	Grants/ S106 £	Growth Reserve £	Capital Receipts £	Total Funding £
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
Sub-Total	2,246,740		375,000	1,695,000	0	176,740	2,246,740
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	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			
Sub-Total	6,000,000						
Grand Total	10,273,740		375,000	7,695,000	2,027,000	176,740	10,273,740

Capital Schemes Explained

- 17.4 **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.
- 17.5 **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.

- 17.6 **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.
- 17.7 **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.
- 17.8 **Leisure Grants to Clubs and Parishes £15k:** Annual capital grant scheme for awards to voluntary village halls, community centres and sports clubs.
- 17.9 **Play Equipment Replacement £77k:** Annual capital scheme to replace play equipment within the Council's 104 children's playgrounds.
- 17.10 **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.
- 17.11 **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.
- 17.12 **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.
- 17.13 **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.
- 17.14 **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.
- 17.15 **Growth Schemes:** See Section 19 below.

18 Funding the General Fund Capital Programme

18.1 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

18.2 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

- 18.3 **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.
- 18.4 **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.
- 18.5 **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.
- 18.6 **Capital Contributions:** This could take the form of capital contributions from other authorities or developers in the form of s.106 funding.
- 18.7 **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.
- 18.8 **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.
- 18.9 **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.

19 Capital Programme for Growth and Regeneration 2019/20

19.1 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

19.2 Full details of this allocation and the associated principles of spending were provided in the report to the 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.

19.3 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.

19.4 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

19.5 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.

19.6 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.

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

20 Community Infrastructure Levy (CIL)

20.1 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.

20.2 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.

20.3 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	2018/19	2019/20	2020/21	2021/22	2022/23	Proposed Total CIL allocations for 2019-2023
	£	£	£	£	£	£
Cycle and pedestrian improvements		1,000,000			500,000	1,500,000
Education provision		4,000,000			2,000,000	6,000,000
Public transport improvements		1,000,000	1,000,000	1,000,000		3,000,000
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

21 Robustness of the Budget Process

21.1 The Local Government Act 2003 requires a report on the adequacy of the Council's financial reserves and for the S151 Officer to report on the robustness of the budget plans. Both of these elements will be included in subsequent reports to Executive and Full Council in February.

22 Links to Corporate Aims / Priorities

22.1 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.

23 Finance / Resource Implications

23.1 The Council's financial position is set out above within the body of this report.

23.2 It is important that Councillors have a good understanding of the financial position and forecasts over the medium term.

23.3 The MTFP reflects the projected savings from transformation of council services.

24 Legal Implications (if any)

24.1 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.

25 Environmental Impact Implications (if any)

25.1 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.

26 Safeguarding and/or Community Safety Implications (if any)

26.1 None for the purposes of this report.

27 Equality and Diversity Implications (if any)

27.1 None for the purposes of this report.

28 Social Value Implications (if any)

28.1 None for the purposes of this report.

29 Partnership Implications (if any)

29.1 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.

30 Health and Wellbeing Implications (if any)

30.1 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.

31 Asset Management Implications (if any)

31.1 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 Shadow Scrutiny comments are invited at this meeting, for consideration by Shadow Executive and in forming recommendations to Members to address the ongoing financial sustainability of the Council.

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 N	Fees and Charges – Open Spaces

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