

Somerset West and Taunton Council

Executive – 9 February 2021

Draft General Fund Revenue Budget and Capital Estimates 2021/22

This matter is the responsibility of Executive Councillor Henley, Corporate Resources

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1 Executive Summary / Purpose of the Report

- 1.1 The report sets out the draft budget estimates for 2021/22, Medium Term Financial Plan (MTFP) forecasts, and 2021/22 Capital Programme and the proposed sources of funding.
- 1.2 The Provisional Finance Settlement for 2021/22 was issued by Government on 17 December, and included details regarding general revenue grant funding, New Homes Bonus, COVID funding and business rates retention baseline and tariff. The information arising is better than the estimates previously included in the MTFP. The final Finance Settlement is expected to be published in late January/early February. Funding for later years is subject to future Spending Reviews by Government and anticipated funding reform.
- 1.3 Executive is minded to implement a council tax increase of 3.04% (£5 on a Band D) in 2021/22, making the annual Band D charge £169.63. The increase in the tax rate provides an additional £279,739 income, however a reduction in the tax base equating to £81,766 results in a net additional council tax income of £197,963 compared to 2020/21.
- 1.4 Executive is also minded to precept £29,093 in special expenses for the Unparished Area of Taunton. This results in an annual council tax rate at £1.91 for a Band D for the Unparished Area of Taunton.
- 1.5 The budget for 2021/22 has been prepared in the context of increased uncertainty. The Government's Spending Review and Finance Settlement has again been for one year only. The effects of the COVID pandemic on both the local economy and public sector services is ongoing with the country currently in the third national lockdown and a range of restrictions in place as national policy has evolved. The Council has settled its organisation structure during 2020/21 with budgets reorganised into directorates. SMT and the directorate management teams have reviewed budgets in detail to ensure budgets align with up to date cost and income estimates, creating a stronger foundation for future resource planning and decision making.
- 1.6 SMT and the Executive present a balanced draft budget for 2021/22, which includes use of temporary funding from reserves to soften the budget gap in the face of current service demands and funding uncertainty. Longer term the Medium Term Financial Plan presents a significant structural challenge which needs to be addressed to maintain

ongoing financial sustainability.

2 Recommendations

- 2.1 Executive notes the S151 Officers Statement on the robustness of the budget and adequacy of reserves as set out in section 17.
- 2.2 Executive recommends Full Council approve the Draft Revenue Budget expenditure, savings and income targets, subject to any final adjustments as may be required for new information prior to Full Council (such as the NNDR1 final estimates and the Final Finance Settlement).
- 2.3 Executive recommends to Full Council a basic band D council tax of £169.63, comprising £167.88 for services and £1.75 on behalf of the Somerset Rivers Authority.
- 2.4 Executive recommends Full Council approve the new capital schemes of the General Fund Capital Programme Budget of £3,116,980 for 2021/22, £2,033,980 for 2022/23 and the asset for sale target of £2,472,720, as set out in Table 11.
- 2.5 Executive recommends that Full Council delegates authority to the Chief Executive, in consultation with the S151 Officer, to allocate the £813,000 one-off grant funding to meet COVID-related exceptional service costs and income losses during 2021/22.
- 2.6 Executive recommends that Full Council approves the transfer of £2.4m from General Reserves to an earmarked reserve to create a Budget Volatility and Risk fund for 2021/22 financial year.
- 2.7 Executive recommends Full Council approve a continued policy of suspending parking charges, as detailed below, on the three Saturdays leading up to Christmas and on one Sunday in Dulverton in line with previous years, to support local economies.
 - (a) Free parking will apply from 15:00 to 23:59 on the three Saturdays (subject to car park opening hours) in Taunton Car Parks.
 - (b) Free parking will apply all day; from 00:00 to 23:59 on the three Saturdays (subject to car park opening hours) in all other Council owned Car Parks.
 - (c) Free parking will apply all day; from 00:00 to 23:59 on one Sunday (subject to car park opening hours) in Dulverton Car Parks to support the Dulverton by Starlight events.

3 Risk Assessment

- 3.1 Risks are considered within the body of the report and in section 17.10 of the S151 Officer's statement on the Robustness of Budget Estimates and Adequacy of Reserves.

4 Background Information

- 4.1 In October 2019 the Council agreed the Corporate Strategy which sets out the Council's priorities and vision for the next four years with four strategic themes; Our Environments and Economy, A transparent and customer focused Council, Homes and Communities and An Enterprising Council. The budget seeks to allocate available resources in order to progress the priorities identified in the Strategy.
- 4.2 The COVID-19 global pandemic has had a significant influence over the work of the Council and its resources. Financial planning in the current year has necessarily been

dynamic in order to respond to frequent changes to national and local restrictions, the many measures of support provided locally to households and businesses, and volatility of the council's costs and income. The main priority in 2020/21 has been on the coordinated response to support the District during the COVID crisis, whilst also pressing forward with other strategic priorities within this context such as housing and regeneration investment.

- 4.3 The Financial Strategy was reviewed and agreed by the Executive on 28 October 2020. The strategy and medium term forecasts were updated to reflect the current financial climate in respect of COVID, the future of local government finance and any other known impacts upon the finances of the Authority.
- 4.4 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.
- 4.5 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), commercial investment income and through grant funding from Central Government (including Revenue Support Grant, New Homes Bonus and other non-ring-fenced and specific grants/subsidy).
- 4.6 Each year the Council sets an annual budget which details the resources needed to meet operational requirements. The annual budget should be prepared within the context of priorities and objectives identified by Members which are embedded in the Council's current Corporate Strategy.
- 4.7 The Draft Budget included in this report sets out a proposed balanced budget position for 2021/22. This includes additional expenditure to meet identified cost pressures and bids to support new spending, as well significant savings plans and short term support to the budget using General Fund reserves. Funding through business rates and New Homes Bonus is expected to reduce significantly over the next two years. The agreed Financial Strategy, and the draft budget and MTFP in this report set out plans to meet this challenge.
- 4.8 The fair funding review and business rates retention baseline reset have again been deferred meaning that the Council will receive a one year funding settlement and therefore the longer term funding remains uncertain. The Provisional Finance Settlement, which provides the level of funding set by Government through business rates retention and general grants, was announced on 17 December 2020. Government have protected funding for a year due to the COVID risk and the information arising is better than our previous expectations. The Final Finance Settlement is expected late January / Early February.

5 2021/22 Draft Budget Summary

- 5.1 The following tables provide a summary of the proposed balanced draft budget position for 2021/22. A further breakdown of the Total Spending on Services is shown in

Appendix A.

Table 1 – General Fund Draft Budget Summary

	2020/21 £	2021/22 £
Senior Management Team (SMT)	662,550	554,210
Internal Operations Directorate (IO)	8,907,425	9,284,155
Housing & Communities Directorate (Hsg & Com)	2,647,020	3,028,290
Development & Place Directorate (D&P)	1,804,440	2,230,860
External Operations & Climate Change Directorate (EO&CC)	7,542,963	8,183,351
Technical Capital Accounting Adjustments	-2,301,110	-2,301,110
Net Total Spending on Services	19,263,288	20,979,756
Investment Property Net Income	-947,100	-3,407,100
Somerset Rivers Authority Contribution	98,787	97,909
Revenue Contribution to Capital	15,000	0
Capital Debt Repayment Provision (MRP)	505,010	699,530
Interest Costs	214,640	312,570
Interest Income	-875,750	-514,500
Special Expenses	29,240	29,093
Transfers to Earmarked Reserves	2,448,165	1,595,466
Transfer to General Reserves	300,000	-1,410,000
SWTC Net Expenditure	21,051,280	18,382,724
Parish Precepts	2,446,428	2,446,428*
Total Expenditure Including Town/Parish Precepts	23,497,708	20,829,152
Retained Business Rates	-6,220,597	-5,692,349
Business Rates Pooling Gain	0	-250,000
LCTS Grant	0	-224,736
Lower Tier Services Grant	0	-995,611
Revenue Support Grant	-6,444	-6,479
Rural Services Delivery Grant	-241,506	-253,432
New Homes Bonus	-3,253,289	-1,743,222
Surplus(-)/Deficit on Collection Fund – Council Tax	63,877	-7,785
Surplus(-)/Deficit on Collection Fund – Business Rates	-2,070,739	12,081,670
Business Rates Holiday 2020/21 S31 Grant	0	-10,840,000
Business Rates Losses 2020/21 S31 Grant	0	-931,250
Demand on Collection Fund – Parishes and Special Expenses	-2,475,668	-2,475,521*
Total Council Tax Raised by Council	9,293,342	9,490,437
Divided by Council Tax Base	56,449.87	55,947.87
Council Tax Band D – SWT Services	162.88	167.88
Council Tax Band D – Somerset Rivers Authority	1.75	1.75
Council Tax Band D – SWT including SRA	164.63	169.63
Cost per week per Band D equivalent	3.16	3.25

*The final total for parish precepts in 2021/22 is not yet confirmed pending receipt of all demands. This will be updated for the Full Council report.

5.2 The table below shows the movement in spending and funding between 2020/21 and 2021/22

Table 2 – Summary of Budget Changes in 2021/22

	Directorate	£'000	£'000
Net Expenditure Base Budget 2020/21			23,498

	Directorate	£'000	£'000
Service Cost Savings:			
Investment Property income – updated estimated of total net income to £2.9m in line with Commercial Property Investment Strategy.	D&P	-2,460	
Increase in Planning income.	D&P	-50	
Park and Ride – decrease in contribution reflecting up to date cost estimates.	D&P	-30	
Asset Management – the rental income from legacy properties has been reviewed and there is a forecast increase in the income for next year. This includes an allowance for non-collection risk due to COVID impact on the economy.	EO&CC	-203	
Various savings within the Car Parking service budget. For 21/22 a saving of £51k rising to £103k recurring from 22/23.	EO&CC	-51	
Garden Waste – due to the delay in garden waste collections in April/May 2020 there will be a one-off increase for deferred income for 21/22 only.	EO&CC	-104	
Leisure Contract - savings from the original provision for the leisure contract.	EO&CC	-273	
Affordable Housing Partnership - increase in income from the partnership including the addition of another partner Housing Association.	Hsg & Com	-15	
CCTV – one off nil contribution to sinking fund for 2021/22 only on the basis that sufficient funds currently exist in the fund.	Hsg & Com	-135	
Training – reduction in the corporate training budget.	IO	-70	
Income from Taunton Charter Trustees regarding Officer support for governance and administration.	IO	-32	
Remove One-off Items from 2020/21 – the 2020/21 budget included some one-off items which need to be removed for 2021/22.	Various	-400	
Fees and Charges total income estimates, e.g. for inflationary price increases	Various	-105	
Vacancy Savings – we have looked at the current vacancy savings over the last year and included a vacancy savings amount.	Various	-100	
Revenue Savings Target – savings to be identified during the year.	Various	-40	
Reduction in the revenue contribution to capital projects	Corporate	-15	
			-4,083
Service Cost Pressures:			
Local Plan - consultants and examination to undertake the local plan.	D&P	118	
Digital Innovation Centre – revenue contributions towards the project costs (£75k over two years).	D&P	38	
Reduction in Land Charges Income reflecting demand.	D&P	47	
Feasibility Studies.	D&P	82	
Street Cleansing Contract – increase in base budget to match the contracted costs.	EO&CC	50	

	Directorate	£'000	£'000
Climate Change – funding towards projects identified in the CNCR plan for delivery in that year as detailed in the Service Business Plan.	EO&CC	500	
Harbour Dredging – to ensure we continue to meet our dredging obligations at Watchet Outer Harbour.	EO&CC	25	
General Fund Asset Landlord and Compliance works.	EO&CC	150	
Open Spaces – mainly a reduction in the income target from previous years to reflect known planned activity.	EO&CC	791	
Vehicles, Plant and Equipment budget requirement rebased to meet needs of the service.	EO&CC	135	
Civica system licences in public health not currently included in the budget.	EO&CC	20	
Private Sector Housing Partnership (Somerset Independence Plus SIP) - realignment of costs between the General Fund and Housing Revenue Account based on actual time spent on respective funds work.	Hsg & Com	31	
One-off consultancy costs to support a review of the Council Tax Support Scheme.	IO	19	
Housing Benefits (Rent Rebates and Rent Allowances) – increased pressure due to reviewing the current budgets.	IO	50	
Microsoft licences (GF share) - due to increase in staff numbers.	IO	38	
Salaries – Increase due to incremental cost and reduction in support services income from the HRA.	Various	493	
Reduction in income from external bodies towards staffing costs.	Various	367	
Other Minor Cost Pressures.	Various	40	
Pension Deficit – Inflationary increase in annual contribution to reduce pension fund deficit in line with actuarial valuation.	Corporate	40	
Inflation for major contracts and utilities.	Corporate	288	
Financing Costs (net income and repayment of debt)	Corporate	654	
			3,976
Reserve Movements:			
Remove 20/21 one-off contribution to General Reserves	Corporate	-300	
Contribution from General Reserves to 21/22 budget	Corporate	-1,410	
Remove 20/21 transfers to earmarked reserves	Corporate	-2,448	
Transfer to Business Rates Smoothing Reserves re Hinkley rateable value volatility risk	Corporate	1,906	
Transfer from Business Rates Smoothing Reserves re Collection Fund Deficit	Corporate	-310	
			-2,562
Net Expenditure Base Budget 2021/22			20,829

	Directorate	£'000	£'000
Total Funding 2020/21			-23,498
Increase in Rural Services Delivery Grant (RSDG)	Corporate	-12	
Increase in Other Government Grants including one-off funds towards COVID pressures	Corporate	-1,220	
Decrease in New Homes Bonus (NHB)	Corporate	1,510	
Net increased funding from Council Tax	Corporate	-197	

	Directorate	£'000	£'000
Collection Fund - Council Tax	Corporate	-71	
Collection Fund - BRR	Corporate	14,152	
BRR Reserve to offset 20/21 Collection Fund Deficit - RHL BR Holiday 20/21	Corporate	-10,840	
BRR Reserve to offset 20/21 Collection Fund Deficit – Other BR Losses 20/21	Corporate	-931	
Decreased Retained Business Rates	Corporate	528	
Business Rates Pooling Gain	Corporate	-250	
			2,669
Total Funding 2021/22			-20,829

6 Government Grant Funding

- 6.1 Following the Provisional Settlement in December 2020 the general grant funding is slightly higher than previous MTFP projections. The Revenue Support Grant (RSG) in 2021/22 is £6,479 and Rural Services Delivery Grant is £253,432, which together is £11,961 (4.8%) higher than the 2020/21 settlement level. Government has confirmed that 'Negative' Revenue Support Grant will again be offset in 2021/22.
- 6.2 Through the Settlement the Government has sought to ensure that no local authority sees a cash reduction in their estimated core funding settlement in 2021/22, reflecting the need for funding stability for local services as we continue to provide essential local support in response to COVID. This was unexpected and only announced through the provisional settlement in December, but provides welcome one-off additional unringfenced revenue grant. Additionally, Government has provided additional one-off grant to provide additional resources to meet ongoing Council cost pressures related to COVID and national/local restrictions.

Table 3 – General Government Grant

	2020/21 £	2021/22 £	Change £	
Core Funding:				
Revenue Support Grant	6,444	6,479	35	0.5%
Rural Services Delivery Grant	241,506	253,432	11,926	4.9%
Total General Revenue Grant	247,950	259,911	11,961	4.8%
Additional one-off support:				
a) Lower Tier Services Grant		995,611		
b) Local Council Tax Support Grant		224,736		
c) COVID Pressures Grant		813,217		
Total Additional Grant Funding		2,033,564		

(a) Lower Tier Services Grant – the Government have confirmed a one-off grant of £995,611 to ensure there is no cash reduction in 'core spending power' compared to 2020/21.

(b) Local Council Tax Support Grant – an indicative allocation of £224,736 towards the loss of income through the reduction in the tax base due to growth in demand for council tax support. This recognises COVID presents ongoing adverse impact on employment and household income resulting in greater demand for financial assistance in lower-income households.

(c) COVID Grant – a one-off allocation of £813,217 for 2021/22 towards extra costs the

Council might occur due to COVID.

- 6.3 All of the above funding is unringfenced revenue grant funding. The first two grants mitigate loss of funding however it is proposed to create a one-off COVID Cost Pressures Budget to utilise the £813k grant towards additional exceptional service cost and income pressures as they arise. In order to provide flexibility to determine the prompt and targeted allocation of this budget it is recommended that the CEO has delegated authority to manage this budget, in consultation with the S151 Officer during 2021/22.

7 Business Rates Retention

- 7.1 Local authorities receive a significant proportion of their funding through the Business Rates Retention (BRR) system. SWT operates within the Somerset Business Rates Pool which provides the opportunity to retain the majority of business rates growth levy that would be paid to central Government outside of a pool.
- 7.2 The Provisional Finance Settlement in December 2020 confirmed the baseline, safety net and tariff for 2021/22. In order to support businesses there will be no inflationary increase in business rates bills, with SWTC receiving grant from Government to compensate the loss of funding through this 'freeze'. Local estimates for total business rates income are not yet completed at the time of writing the report and are due to be completed by the end of January 2021. These will determine the net income retained by SWT including growth above the baseline.
- 7.3 A summary of the 2021/22 Retained Funding current estimate is shown in the table below. This will be updated following completion of the NNDR1.

Table 4 – Business Rates Retention Provisional Estimates

Business Rates Retention Provisional Funding Estimates	2021/22 Provisional Estimates £
Share of Business Rates Yield	22,658,480
Rates yield from renewable energy	203,194
Tariff to Government	-18,394,766
Levy Payment	-1,578,330
S31 Grant funding for Reliefs	2,803,771
Net Retained Business Rates Funding	5,692,349

- 7.4 The draft budgets proposals assume a pooling gain of £250k though this is subject to completion of the NNDR1 initially, and will ultimately only be confirmed based on the outturn for the Pool at the end on next financial year. Final estimates will be reflected in the final budget report to Council in February.
- 7.5 Business rates funding is volatile. The business rates tax base in SWT area includes Hinkley nuclear power station which produces almost 20% of total business rates income collected in the district. The rateable value for Hinkley B was significantly reduced in February and then July 2020 resulting in a major reduction in rates income for 2020/21. This results in a large Collection Fund Deficit which is to be repaid through the 2021/22 budget. Fortunately, 75% of this deficit will be mitigated due to the Government's tax loss compensation scheme. However it still represents a significant loss of funding which in another year would have been much larger. The residual direct impact on SWTC

funding can be offset using the BRR Volatility Reserve which has previously been prudently set aside for such risks.

- 7.6 Current indications are that the Hinkley rateable value will revert to its full valuation by April 2021 and the draft estimates for 2021/22 reflect this. However this represents a significant budget risk therefore it is recommended by the S151 Officer to set aside further funds (£1.9m) in the BRR Volatility Reserve in 2021/22 to mitigate the risk that the valuation does not revert as planned.
- 7.7 In the medium term financial plan the Council's funding through business rates is expected to reduce to the Safety Net due to the planned decommissioning of Hinkley B power station commencing by July 2022. There will then be a gap of several years before business rates funding is expected to grow when Hinkley C comes into operation. There is a financial planning risk though as Government is still committed to reviewing business rates retention and relative needs and resources funding distribution.
- 7.8 The Business Rates budget in 2021/22 includes a significant one-off spike in collection fund losses due to COVID in 2020/21, which is to be reimbursed by the General Fund next year due to accounting regulations. The Council will receive government funding through S31 Grant to fully compensate losses in respect of the business rates holiday 100% reliefs in 2020/21, and a further grant to compensate 75% of other 2020/21 business rates collection losses.

8 New Homes Bonus

- 8.1 New Homes Bonus (NHB) is grant 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 intends to use all of its NHB allocation for 2021/22 towards the revenue budget for services. This is in line with the financial strategy agreed in September 2020 and provides revenue budget funding resilience as the Council continues to respond to COVID and support economic recovery. The Council's financial strategy is to reduce reliance on this funding reflecting its ongoing decline, and this is reflected in the MTFP below.
- 8.2 The confirmed NHB Grant for 2021/22 is £1,743,222 which is £1,510,067 or 46.4% less than comparable amount for 2020/21.

Table 5 – New Homes Bonus 2021/22

	2020/21 £	2021/22 £
New Homes Bonus Grant	3,253,289	1,743,222
Amount for core revenue budget	400,000	1,743,222
Transfer to growth reserve	2,853,289	0

- 8.3 The growth baseline remains at 0.4%, which sees a “top-slice” for net growth which does not attract any NHB grant. Each year's growth used to attract grant for 4 years but this is not expected to continue. The annual growth ‘increment’ in 2020/21 and 2021/22 is each for one year only. Table 5 below shows the current forecast within the current MTFP. We have assumed that the previous years' legacy payments will continue for the financial year 2022/23 though it should be noted that this payment is not guaranteed and could be removed in future funding settlements. The Government deferred the planned review of the NHB system in 2020, however it is anticipated this will be undertaken in

2021 and could therefore result in a new system being implemented for 2022/23.

Table 6 – New Homes Bonus Grant Forecast

	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
2016/17	841					
2017/18	1,258	1,258				
2018/19	858	858	858			
2019/20	851	851	851	851		
2020/21		286	0	0	0	
2021/22			34	0	0	0
Total	3,808	3,253	1,743	851	0	0

9 Council Tax

9.1 The Provisional Finance Settlement has confirmed that Shire Districts are able to increase council tax by up to the greater of 1.99% or £5 (on a Band D) in 2021/22 without the need for a referendum.

9.2 Executive are minded to recommend the option to increase annual Band D Council Tax to £167.88 for SWTC services, which equates to the £5 annual increase on the current SWT rate of £162.88, and this is reflected in the proposed budget for 2021/22. If approved by Council, the SWT total Band D tax rate including £1.75 for the Somerset Rivers Authority will be £169.63 per year or £3.25 per week. This represents an increase of 3.04% - 9 pence per week for a Band D taxpayer.

9.3 The approved Tax Base for 2021/22 is 55,947.87 Band D Equivalents, a decrease of 502 (0.89%) compared to the 2020/21 tax base. The main reasons for the tax base reducing are due to the estimated non-collection rate being increased and eligible claims for Council Tax Support discounts increasing. The budget estimates for Council Tax income for SWT is therefore £55,947.87 x £167.88 = £9,392,528. This represents a total increase of £197,973 compared to the previous year. The budget estimates are calculated as follows.

	£
Council Tax Income Budget 2020/21	9,194,555
Decrease due to change in Tax Base (Band D equivalents)	-81,766
Increase due to proposed increase in Tax Rate	<u>279,739</u>
Council Tax Income Estimate 2021/22	9,392,528
Amount raised for Somerset Rivers Authority (see below)	<u>97,909</u>
Overall Total SWTC Council Tax Precept	<u>9,490,437</u>

9.4 The SWTC council tax charge represents around 10% of the full council tax bills for households, which also includes precepts for the county council, police and fire authorities, and local town and parish councils. Details of the full range of council tax charges will be included in the Council Tax Determination report to Council on 23 February 2021.

10 Somerset Rivers Authority

10.1 The Somerset Rivers Authority (SRA) remains unable to raise their own precept and it is therefore proposed to follow the same arrangements as previous years. For 2021/22 it is proposed that the Band D amount will remain at £1.75 and this will raise £97,909 in funding for the SRA from the Council in 2021/22.

11 Special Expenses/Unparished Area Budget

- 11.1 From 2020/21 the Charter Trustees have been required to precept directly for the mayoralty and related civic costs plus their own governance/admin costs. The Council have also maintained an element of special expenses for the unparished area related to local service costs that a town/parish might provide if in existence but is beyond the scope of the Charter Trustees.
- 11.2 The Executive propose to precept £29,093 in special expenses for the Unparished Area of Taunton. This results in an annual council tax rate at £1.91 for a Band D for the Unparished Area of Taunton. (Note: For referendum purposes we have to measure this as though it is a charge for the whole area, which equates to £0.52 for Band D.)

12 Fees and Charges

- 12.1 The Council's Constitution delegates the approval of Fees and Charges (with the exception of Car Parks) to the S151 Officer. Therefore the increase in all other fees and charges was approved by the S151 Officer in January 2021, in consultation with SMT and the Corporate Resources Portfolio Holder. Fees and charges are set on the principles of full cost recovery where appropriate or an inflationary increase in line with the financial strategy approved by the Executive.
- 12.2 **Car Parking Christmas Charges** – in line with recent years it is proposed to suspend parking charges, as detailed below, on the three Saturdays leading up to Christmas and on one Sunday in Dulverton. This has been subject to an annual portfolio holder decision however Council is asked to support this as an ongoing policy, pending a full review of the Parking Strategy. The budget estimates for parking income reflect this assumption:
- (a) Free parking will apply from 15:00 to 23:59 on the three Saturdays (subject to car park opening hours) in Taunton Car Parks.
 - (b) Free parking will apply all day; from 00:00 to 23:59 on the three Saturdays (subject to car park opening hours) in all other Council owned Car Parks.
 - (c) Free parking will apply all day; from 00:00 to 23:59 on one Sunday (subject to car park opening hours) in Dulverton Car Parks to support the Dulverton by Starlight events.

13 General Reserves

- 13.1 The current reserves position is shown below. The General Reserve has been boosted in 2020/21 to ensure the Council could cope with the Pandemic and maintain adequate reserves, as well as provide flexibility in the next 2-3 years to soften the budget gap. The table below shows the amount transferred to reserves and approvals for supplementary budget in year. Recent forecast outturn projections for the 2020/21 budget predict an overall overspend of £551,000.
- 13.2 The S151 Officer has considered the adequacy of reserves (see section 17 below) and the factors presenting more significant budget risks for both the current year and 2021/22. For example, the proposed budget includes risk and uncertainty regarding fees and charges income (particularly car parking), and potential further costs due to ongoing impact of COVID restrictions and its impact on services and the economy. As a prudent mitigation to budget risk, it is recommended that £2.4m is allocated from general reserves into a Budget Volatility and Risk earmarked reserve, to provide a contingency for in year costs and income losses. The need for this reserve will be closely monitored,

with any funds not required proposed to be returned to general reserves next year.

- 13.3 The need for a COVID contingency in 2020/21 is considered to be less due to the one-off exceptional funding that has been provided by Government, which gives greater certainty in the short term.
- 13.4 The provisional forecast of the reserves position at the start of the next financial year at £6.471m. The current MTFP assumes using £2.66m of reserves across 2021/22-2022/23 reducing the General Reserves balance to £3.811m. Using any more General Reserves towards balancing the core budget moving forward is not sustainable in the medium term.

Table 7 – General Reserves Balance

	Approval	£k
Balance brought forward 1 April 2020		4,522
2020/21 Original Budget Transfer to Reserve	Council - 19/2/20	300
Approved - From Earmarked Reserves review	Exec 28/10/20	1,218
Proposed - From NHB reserve	Council - 15/12/20	3,949
Proposed - From BR Volatility reserve	Council - 15/12/20	1,000
Approved - Town Centre Recovery	Council - 29/9/20	-500
Approved - Unitary Programme Delivery Funds	Exec - 23/9/20	-249
Approved - Climate Change Fund	Council – 26/10/20	-500
Approved - Tree Planting	Officer – 23/09/20	-18
Proposed - 2020/21 COVID overspend	Council – 15/12/20	-657
Projected Balance after current commitments		9,065
Projected Outturn - COVID (Month 6 forecast) (657-625)		32
Projected Outturn - Non-COVID (Month 6 forecast)		74
COVID Contingency 2020/21		-300
Recommended transfer to Budget Volatility and Risk earmarked reserve	Council – 18/02/21	-2,400
Projected Balance 31 March 2021		6,471
MTFP Planned use of reserves 2021/22		-1,410
MTFP Planned use of reserves 2022/23		-1,250
Projected uncommitted balance		3,811
Recommended Minimum Balance		2,400

14 Earmarked Reserves

- 14.1 The General Fund Earmarked Reserves brought forward balance for 2020/21 is £20.586m. The budgeted transfers to earmarked reserves in 2020/21 are £2.448m. The following transfers from reserves have been approved: return £6.167m to General Reserves (£1m from the Business Rates Volatility Reserve, £3.949m from NHB and £1.218m identified surpluses from a range of other reserves). Under emergency powers in March the Chief Executive also approved a contribution of £1m from the NHB reserve towards funding COVID pressures, and this is included within the forecast for this year.
- 14.2 The following table details those reserves with balances greater than £500,000.

Table 8 – General Fund Earmarked Reserves

	Balance 1 April 2020 £'000	2020/21 Budgeted Transfers £'000	Approved Return to General Reserves £'000	Projected Transfers £'000	Projected Balance 31 March 2021 £'000	21/22 Budgeted Reserves transfer £000	Projected Balance 31 March 2022 £000
Business Rates Volatility	3,303	2,031	-1,000		4,334	1,595	5,929
Business Rates S31 Grant	0	0	0	13,634	13,634	-11,771	1,863
Investment Risk	3,500	0			3,500		3,500
NHB	6,860	-409	-3,949		2,502		2,502
Garden Town	814	-65			749		749
Asset Management	687				687		687
Economic Development Initiatives	1,268				1,268		1,268
Community Housing*	569				569		569
Other Smaller Balances	3,585	-108	-1,218		2,259		2,259
2021/22 Budget Volatility and Risk	0	0	0	2,400	2,400		2,400
Total	20,586	2,249	-6,167	16,034	32,702	-10,176	22,526

*ring-fenced grant

14.3 It is anticipated there will be a large Business Rates S31 Grant reserve created in 2020/21 to set aside grant from Government that will be needed to mitigate the Collection Fund Deficit in the 2021/22 budget. This will include grant towards the Business Rates Holiday in 2020/21 for retail, hospitality and leisure properties (estimated £10.8m), and the 75% tax loss compensation grant (estimated £2.8m). Part of the deficit, excluding the business rates holiday element, may be spread over 3 years therefore the allocation from reserves will also include an element of spreading. Final figures will be confirmed through the outturn report at the end of the current financial year.

15 Medium Term Financial Plan (MTFP) Summary

15.1 Although the draft budget shows plans to close the budget gap and set a balanced budget for 2020/21 there is structural gap from 2021/22 onwards which presents a challenge. Members will need to consider options to close this gap in future years which could include increasing income, driving efficiency and reducing costs. This could have an impact upon services but it is essential that measures are agreed to ensure ongoing financial sustainability.

15.2 The current MTFP forecast is summarised below, reflecting the proposed budget for 2021/22 and the updates described in the report including the impact in future years. There is still uncertainty around the future funding from government and the expected reduction in funding from NHB and Business Rates Retention has contributed significantly towards the increasing budget gap from 2021/22 onwards.

Table 9 - Draft MTFP Summary 2020/21 to 2025/26

	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Net Services Costs	19,263,288	20,979,756	22,104,131	22,456,451	23,068,031	23,969,251
Investment Property Net Income	-947,100	-3,407,100	-3,407,100	-3,827,100	-3,827,100	-3,827,100
Net Financing Costs	-141,100	497,600	1,003,910	807,020	780,130	773,240
SRA Contribution	98,787	97,909	97,909	98,888	99,877	100,876
Special Expenses	29,240	29,093	29,093	29,384	29,678	29,974
Earmarked Reserves	2,448,165	1,595,466	-310,417	109,583	420,000	420,000
General Reserves	300,000	-1,410,000	-1,250,000	0	0	0
Net Expenditure	21,051,280	18,382,724	18,267,526	19,674,226	20,570,616	21,466,241
Retained Business Rates	-6,220,597	-5,692,349	-3,660,318	-3,732,229	-3,804,142	-3,876,053
Business Rates prior year surplus/deficit	-2,070,739	12,081,670	1,241,665	1,241,665	0	0
Business Rates Holiday S31 Grant	0	-10,840,000	0	0	0	0
Business Rates Losses S31 Grant	0	-931,250	-931,250	-931,250	0	0
Estimated Pooling Gain	0	-250,000	0	0	0	0
LCTS Grant	0	-224,736	0	0	0	0
Lower Tier Services Grant	0	-995,611	0	0	0	0
Revenue Support Grant	-6,444	-6,479	-6,479	-6,479	-6,479	-6,479
Rural Services Delivery Grant	-241,506	-253,432	-253,432	-253,432	-253,432	-253,432
New Homes Bonus	-3,253,289	-1,743,222	-851,411	0	0	0
Council Tax	-9,194,555	-9,392,528	-9,581,632	-9,871,837	-10,170,885	-10,478,951
Council Tax–SRA	-98,787	-97,909	-97,909	-98,888	-99,877	-100,876
Council Tax–Special Expenses	-29,240	-29,093	-29,093	-29,384	-29,678	-29,974
Council Tax prior year surplus/deficit	63,877	-7,785	52,731	52,731	0	0
Net Funding	-21,051,280	-18,382,724	-14,117,128	-13,629,103	-14,364,493	-14,745,765
Budget Gap	0	0	4,150,398	6,045,123	6,206,123	6,720,476
Gap – Change on Previous Year	0	0	4,150,398	1,894,725	161,000	514,353

Note: The 2020/21 figures in this table relate to the Budget approved in February 2020, adjusted to separate out the commercial investment income.

15.3 No costs or savings from the unitary bids have been included within the MTFP figures. The table above reflects the costs and income relating to SWTC only.

16 2021/22 General Fund Capital Programme and Funding

16.1 The current General Fund Capital Programme in 2020/21 includes approved projects totalling £101.17m summarised in the table below and the full list of projects is shown in Appendix B. Additionally, Council has approved further capital investment in future years including regeneration and properties for yield.

Table 10 - Summary of Existing Capital Approvals

Capital Expenditure	2020/21 Capital Budget £	Forecast Outturn 2020/21 £	Forecast Outturn 2021/22 £	Forecast Outturn 2022/23 £	Forecast Outturn 2023/24 £	Forecast Outturn 2024/25 £	Total Expenditure
Development and Place	88,973,727	64,485,792	17,852,869	3,500,000	2,208,000	1,000,000	89,046,661
External Operations	5,583,141	2,343,554	3,254,210	0	0	0	5,597,764
Internal Operations	1,229,500	732,503	507,108	0	0	0	1,239,611
Housing	5,387,525	3,107,895	1,879,630	400,000	0	0	5,387,525
Existing approvals – total future years	0	0	65,590,902	20,380,739	26,021,936	0	111,993,577
Sub-Total	101,173,893	70,669,744	89,084,718	24,280,739	28,229,936	1,000,000	213,265,138

16.2 There have been a number of bids for the General Fund Capital Programme (shown in Table 11 below). It is proposed for the 21/22 budget process to consider bids for the next two years. The total cost of bids to be considered is £5.1m (£3.1m 21/22 and £2m 22/23).

16.3 It is intended to avoid increasing the borrowing requirements for GF schemes when financing the proposals for 2021/22 and 2022/23 new bids. Therefore in order for the total spend to be affordable it is proposed to establish a new capital receipts target of £2m to be generated over the next 1-2 years (to add to existing capital reserves) so that capital spending on some schemes will only be progressed when we know the income has been received to finance it. There are some items which will be funded by grants totalling £1,793,240 or via a contribution from the revenue budget for existing recurring schemes totalling £615,000. If all of the schemes where to be approved the capital receipts requirement would be £2.7m (using current uncommitted receipts plus the new income target).

Table 11 – Capital Bids and Proposed Funding

	Capital Bids 2021/22 £	Capital Bids 2022/23 £	Total Bids £	Capital Receipts £	Grants / Revenue £	Total Financing £
Development & Place						
Employment Land Schemes	275,000	300,000	575,000	575,000		575,000
External Operations						
Disabled Facilities Grants	400,000	400,000	800,000		800,000	800,000
Rewire and lighting replacement - Orchard Car Park	150,000	0	150,000	150,000		150,000
Compliance for Assets	382,360	222,360	604,720	604,720		604,720
Car Parks Capital Improvements	709,000	0	709,000	709,000		709,000
New Boiler at Crematorium	20,000	0	20,000	20,000		20,000
Wellington Park Lodge Improvements	20,000	0	20,000	20,000		20,000
Leisure Grants to Clubs and Parishes	15,000	15,000	30,000	15,000	15,000	30,000
Taunton Deane area Play Equipment	64,000	20,000	84,000	64,000	20,000	84,000
New/Replacement Waste Containers	100,000	100,000	200,000	100,000	100,000	200,000
Open Spaces Vehicles Replacement	252,000	152,000	404,000	252,000	152,000	404,000
Open Spaces Plant and Equipment	23,000	23,000	46,000	23,000	23,000	46,000
Internal Operations						
Deane Helpline	25,000	25,000	50,000	25,000	25,000	50,000

	Capital Bids 2021/22 £	Capital Bids 2022/23 £	Total Bids £	Capital Receipts £	Grants / Revenue £	Total Financing £
Desktop Hardware Refresh	90,000	280,000	370,000	90,000	280,000	370,000
Improvement and Efficiency Programme Resources	95,000	0	95,000	95,000		95,000
Housing						
Energy Efficiency Grants	91,000	91,000	182,000		182,000	182,000
Home Maintenance	160,000	160,000	320,000		320,000	320,000
Prevention Grants	245,620	245,620	491,240		491,240	491,240
Total bids	3,116,980	2,033,980	5,150,960	2,742,720	2,408,240	5,150,960

- 16.4 For any borrowing that we would need to undertake this will be managed in line with the approved Treasury Management Strategy and Full Council delegate's responsibility for all treasury arrangements to the S151 Officer.
- 16.5 The PWLB is not available to SWT this year, and it is assumed for the next 2 years, under the new rules as the Council has an approved strategy of investing in property assets for income to pay for local services. Therefore the Council will need to use alternative sources for borrowing and our Treasury advisors continue to provide reassurance that alternative options are available, for example from other local authorities.
- 16.6 The Capital, Investment and Treasury Strategies will be presented to Full Council in March and will provide more information regarding the financing strategy for the Capital Programme.

17 Robustness of Budget Estimates and Adequacy of Reserves

- 17.1 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.
- 17.2 The Draft Budget for 2021/22 has been built on the foundation of significant work undertaken during 2020/21 to realign budgets into the directorate management structure implemented during the year; and to carefully review baseline costs and income to ensure budget estimates are realistic for the Council following the Council's formation in April 2019 and a sustained period of disruption and change. There have been changes in budget holders and within the finance team, therefore a lot of effort has been invested in building knowledge and understanding, which has also helped in challenging historic budget estimates brought forward from the predecessor Councils last year.
- 17.3 Estimates of expenditure and income include reasonable assumptions for increases and decreases due to trends and future influences such as inflation. The budget reflects commitments necessary to maintain service levels, and with demand-led budgets this inevitably entails a degree of judgement.
- 17.4 The budget estimates and Medium Term Financial Plan include significant pressures through funding reductions and requests to increase spending in some areas. Staff budgets have been updated to reflect the current establishment, and are also based on a key assumption of no pay increase for staff in April 2021, in line with the Government's stated intention for public sector pay. Budgets for contracted services have been updated where necessary to reflect up to date costs and inflation assumptions.

Additional investment in the Council's strategic priorities such as climate change is included for consideration.

- 17.5 Income through fees and charges reflects historic trends and assumptions about future trends. COVID, and related national and local restrictions, brings a high degree of risk to income estimates. Baseline budgets have been maintained at broadly historic levels, reflecting an assumption that we will start to see sustainable recovery and demand for directly paid-for services returning towards pre-COVID levels when restrictions ease. This approach has also been taken in view of the Government's financial support to help mitigate income reductions, which for fees and charges is currently in place until at least June 2021. The material financial risk here is likely to be in respect of car parking and planning services, and this has been considered and mitigated through prudent reserves planning for the year ahead.
- 17.6 The 2021/22 budget also includes the expected growth in commercial investment income, in line with the Council's approved Corporate, Commercial and Financial strategies. This income growth is necessary to replace the major reduction in grant funding from central Government with a more sustainable and predictable (but not risk-free) income stream. This income becomes more important as a means of paying for services that would otherwise be at risk due to loss of other funding. In terms of the budget estimate, this is based on reasonable assumptions regarding the pace of building the fund and overall levels of net return, with further prudent adjustments in the budget to provide a contingency in the event our assumptions ultimately prove optimistic. This financial risk is further underwritten by risk reserves already held to underwrite income volatility.
- 17.7 Treasury investment and borrowing assumptions and estimates have also been reviewed to ensure these remain prudent in view of the economic impact of the pandemic. Further detail on this will be included in the Capital, Investment and Treasury Strategies report to Full Council in March. The long-term borrowing environment has changed following the Government's decision in November to restrict access to the Public Works Loan Board (PWLB) for authorities incurring capital expenditure for asset investments primarily for yield. Whilst this restriction is not helpful in terms of 'easy access' to long-term borrowing, I am confident that alternative borrowing options are available for when it is prudent to take on long term debt. I continue to work with our treasury advisors, Arlingclose, in this regard.
- 17.8 From my perspective as the Council's 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. I am also reassured by the relatively healthy reserves position of the Council, which provides a good level financial resilience in the near term. Given the financial risks and uncertainties faced it is very important that contingencies and reserve levels are maintained at prudent levels. Having considered the overall risk within the 2021/22 budget estimates and assumptions, which is significant mainly due to COVID and its impact on the economy, service costs and income, my recommendation is that the Council allocates £2.4m from general reserves into a Budget Volatility and Risk reserve for 2021/22. This will provide prudent contingency funds in the event budget assumptions are overly optimistic, for example in car parking income which has seen a major reduction in 2020/21. I have provided further detail of my risk assessment below, to support this recommendation.
- 17.9 It is vitally important that the Council's leadership ensures cost efficiencies and income strategies are prioritised and delivered to ensure the Council remains financially resilient

and service objectives remain affordable. The draft budgets for 2021/22 and 2022/23 include planned use of reserves to soften the budget gap and preserve spending on services. The Council's healthy reserves position supports this approach in the short term, but the Council cannot rely on use of reserves as a sustainable long term solution.

Risk and Uncertainty

17.10 There are key areas of uncertainty beyond 2021/22, and other potential risks in the shorter term that I have considered in commenting on the proposed budget. These include:

COVID impact on services, costs and income

- a) The response to COVID has been extensive and dynamic. Services and resources have adapted frequently and at short notice to implement many measures, and with the country still in national lockdown it is likely this will continue to be the case for some time. This may impact on priorities and capacity to deliver other services and projects.
- b) The Council's costs and income are susceptible to change due to COVID and the economy. Financial support from Government has been significant during 2020/21, and whilst some funding has been announced for the 2021/22 budget it is not known at this stage whether this will be sufficient to avoid significant pressure on other council funds.

Mitigation: In year budget risk is underwritten by contingencies and reserves. The sector continues to engage with Government and long lasting adverse impact on Council resources will need to be addressed through additional funding from Government. However this is not certain and in any event is unlikely to fully fund exceptional costs and income losses, therefore I have recommended an earmarked reserve is created to underwrite this risk as explained above.

Future funding from Government

- c) The Government has issued a 1-year Spending Review in each of 2019 and 2020. It is not known at this stage will over more than one year. Overall funding for local government beyond 2021/22 financial year is therefore uncertain making long term financial planning extremely difficult.
- d) The Relative Needs and Resources Review (previously known as Fair Funding Review) has been deferred, and at this stage the timetable for this is not known.
- e) New Homes Bonus scheme review has been deferred, and the Government has indicated it intends to consult in 2021 regarding the future of this scheme.
- f) General grant funding is relatively low, at only £260k. Currently it is assumed this is ongoing in some form, but will almost certainly be affected by changes in (c) and (d) and is therefore at risk.

Mitigation: MTFP assumptions and estimates will continue to be reviewed and updated as further information becomes available.

Future funding through business rates

- g) The reset of the business rates baseline and funding, and the prospect of a redesign of the rates retention system have been deferred. It is therefore unclear what future minimum funding will be through this mechanism, and if and how the Council may benefit from business rates growth.
- h) Hinkley Point B nuclear power station provides almost 20% of the total business rates in the district. Business rates due from this site reduced by 90% during 2020/21 due to extensive maintenance, as announced by the Valuation Office in December 2020. The budget assumes full business rates for Hinkley B during 2021/22.
- i) The legal challenge in respect of NHS Foundation Trusts entitlement to reliefs is ongoing with the original judgement subject to appeal. If the judgement is overturned and the reliefs awarded this could lead to a large refund and a reduction in ongoing business rates income.
- j) COVID and the scale of Government financial support to businesses as the economy recovers, as well as the rate of business survival in the face of recession, could impact on future collection of business rates income.
- k) The Somerset Business Rates Pool is continuing in 2021/22. A prudent low estimate of the pooling gain has been included in the budget, minimising commitment of funds until actual funds due are confirmed at the end of the financial year.

Mitigation: Prudent approach to budget estimates and provisions for refunds, and adequate funds held in business rates volatility reserve.

Commercial and treasury investment and borrowing

- l) The commercial investment net income is underpinned by very strong governance and due diligence, which helps to minimise risks. At this stage the Council has completed around a third of its planned investment (January 2021) therefore the overall costs and income for the remainder of the portfolio is to be determined. The risks associated are set out within the strategy, but include market and economic risks as well as potential volatility in income, financing and management costs. This is mitigated through prudent budgeting and reserves management.
- m) The Government's decision to restrict access to PWLB means alternative sources of long term borrowing will be needed in future. There are competitive alternatives available, as seen by financing undertaken by many other authorities, however this represents a risk in terms of estimating future borrowing costs.

Mitigation: Prudent approach to budget estimates, and adequate funds held in investment risk reserve. Alternative long term borrowing options being explored.

Delivery of savings

- n) A relatively small savings target is included in the 2021/22 budget. However, the savings requirement in subsequent years is significant within the MTFP.

Mitigation: The S151 Officer and SMT will track the savings delivered in 2021/22 and offset the target within the budget each month as these are realised. SMT and

Members will in the coming months need to develop and implement sustainable savings options for 2022/23 onwards. This will include through modernisation and efficiency, service prioritisation, increased commercialisation and income generation.

Accuracy of Budget estimates

- Budget holders and business partners have worked together to ensure budget estimates reflect realistic ongoing costs and income. Any forecast contains an element of risk and uncertainty.

Mitigation: Adequate reserves held to underwrite budget risk. Forecasts are reviewed monthly with significant variances and risks reported to senior management and members.

Council Tax

- 17.11 The budget will receive Council Tax funding in year based on the approved precept set in February. Volatility will be due to a variety of factors such as housing growth, entitlement to discounts, and demand for council tax support. This will result in a surplus or deficit in the Collection Fund, which will be reflected in the General Fund budget in the following year.

Mitigation: Reasonable estimates used to set the tax base, with estimates of a surplus or deficit monitored and included in MTFP forecasts.

Capital Programme Funding

- 17.12 The Executive's draft budget proposals for the General Fund capital programme are included in this report. Capital expenditure estimates on council housing provision is included separately within the Housing Revenue Account budget report. To support the spending plans, councils are required to publish and monitor a set of Prudential Indicators. These are included in the Capital, Investment and Treasury Strategies report to Full Council in March 2021.
- 17.13 The 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.
- 17.14 Major capital investment is planned in the short to medium term. The Council's borrowing requirement will increase significantly, and an important feature of financial planning is ensuring the debt remains affordable. The increase in general fund borrowing is largely related to regeneration and investment schemes that will more than cover the costs of borrowing through income generated, and HRA investment remains affordable based on forecast housing rent income.

Local Government Restructuring

- 17.15 The Council's budget and MTFP are prepared based on the continuation of SWTC as a single district council. The Government is due imminently to consult on and consider alternative options for restructuring local government in Somerset. Any change will incur up-front costs, for which no allowance is currently made in the SWTC MTFP. In this context, Members are advised to maintain adequate headroom in reserves to prepare for such costs.

Adequacy of Reserves

- 17.16 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.
- 17.17 Reserves are reviewed at least annually and my formal opinion updated during the budget setting process each year. For the General Fund, the minimum level of general reserves has been re-assessed in view of the draft budget, considering a wide range of financial risks and uncertainty including the assumptions underpinning the 2021/22 budget estimates. The recommended minimum general reserve balance has been maintained at £2.4m, on the assumption Council approves the proposed allocation of £2.4m to earmarked reserves thus mitigating increased risk and uncertainty at this time due to COVID and the economy. For the HRA the minimum balance is set at £2m, again reflecting increased risk and uncertainty in costs and income.
- 17.18 For the General Fund, it is important for Members' to note the planned use of reserves in 2021/22 and 2022/23. The budget report highlights the projected uncommitted reserves balance after taking this plan into account.
- 17.19 A detailed review of earmarked reserves was undertaken in 2020, resulting in some reserved funds being reprioritised and released to general reserves. A further review will be undertaken as part of the financial year end process. I am currently satisfied that reserves are appropriate to meet financial commitments and mitigate identified risks, however this will be kept under review. In addition to the general budget risk explained above, the Council maintains earmarked reserves to specifically mitigate financial risks in respect of business rates and property investment income, adding strength to overall financial resilience.
- 17.20 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.

Conclusions – Statement of the S151 Officer

- 17.21 Based on the evidence I have reviewed I am able to confirm that I believe the Council's draft budget proposals for 2021/22 to be sufficiently robust, and the Council's reserves to be adequate. There is however a higher than normal degree of uncertainty and risk. Whilst prudent estimates have been prepared, it is recommended that resilience is maintained through thorough ongoing monitoring and adaptable ongoing management of spend, underpinned by prudent retention of reserves and contingencies as set out in this report.
- 17.22 In order to meet Council plans and priorities, the MTFP includes plans to use reserves to support service expenditure in the next two years. The Council's balance sheet remains healthy and can sustain this approach for a short period, however it is essential that sustainable plans are implemented to address the significant structural budget deficit in the medium term.
- 17.23 The financial strategy and MTFP will need to be reviewed and updated as new information emerges over the next 12 months.
- 17.24 Finally, the financial projections in this report are based on the continuation of the Council in its current form. The Government is due to announce its preferred local government structure later this year. It is important for this Council to maintain robust

estimates and prudent reserves in preparation for a major programme of change and smooth transition to future arrangements.

18 Links to Corporate Strategy

18.1 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 2021.

19 Legal Implications

19.1 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.

20 Climate and Sustainability Implications

20.1 The delivery of the Council's climate and sustainability objectives are embedded in many of the Council's revenue and capital budget proposals for both General Fund and Housing Revenue Account services. The 2021/22 GF Revenue Budget includes a further £500,000 allocation towards the implementation of the Carbon Neutrality and Climate Resilience Action Plan, adding to the £500,000 allocated from general reserves in 2020/21 for this priority.

21 Partnership Implications

21.1 The Council budget incorporates costs and income related to the various partnership arrangements, and any changes in relevant forecasts and proposals will be reported for consideration as these emerge.

22 Health and Wellbeing Implications

22.1 Any relevant information and decisions with regard to health and wellbeing will be reported as these emerge through the financial planning process.

23 Asset Management Implications

23.1 The proposed budget includes an increase in the General Fund Asset Landlord and Compliance works. Priorities will be determined in line with the Asset Management Plans in place.

24 Scrutiny Comments / Recommendation(s)

25 Scrutiny Committee reviewed the draft budget on 27 January 2021. A verbal update on Scrutiny comments and recommendations from the meeting will be provided at the Executive meeting.

Democratic Path:

- **Scrutiny – 27 January 2021**
- **Executive – 9 February 2021**
- **Full Council – 18 February 2021**

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	Breakdown of Total Spending on Services
Appendix B	Capital Programme Summary

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