SWT Special Full Council

Thursday, 18th February, 2021, 6.15 pm

SWT VIRTUAL MEETING WEBCAST LINK

Somerset West and Taunton

Members: **Hazel Prior-Sankey (Chair), Simon Coles (Vice-Chair), Ian Aldridge, Benet Allen, Lee Baker, Marcus Barr, Mark Blaker, Chris Booth, Paul Bolton, Sue Buller, Norman Cavill, Dixie Darch, Hugh Davies, Dave Durdan, Kelly Durdan, Caroline Ellis, Habib Farbahi, Ed Firmin, Andrew Govier, Roger Habgood, Andrew Hadley, John Hassall, Ross Henley, Marcia Hill, Martin Hill, John Hunt, Marcus Kravis, Andy Milne, Richard Lees, Sue Lees, Libby Lisgo, Mark Lithgow, Janet Lloyd, Dave Mansell, Chris Morgan, Simon Nicholls, Craig Palmer, Derek Perry, Martin Peters, Peter Pilkington, Andy Pritchard, Steven Pugsley, Mike Rigby, Francesca Smith, Federica Smith-Roberts, Vivienne Stock-Williams, Phil Stone, Andrew Sully, Nick Thwaites, Anthony Trollope-Bellew, Ray Tully, Terry Venner, Sarah Wakefield, Alan Wedderkopp, Danny Wedderkopp, Brenda Weston, Keith Wheatley, Loretta Whetlor and Gwil Wren**

Agenda

1. Apologies

To receive any apologies for absence.

2. Declarations of Interest

To receive and note any declarations of disclosable pecuniary or prejudicial or personal interests in respect of any matters included on the agenda for consideration at this meeting.

(The personal interests of Councillors and Clerks of Somerset County Council, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes.)

3. Public Participation - To receive only in relation to the business for which the Extraordinary Meeting has been called any questions, statements or petitions from the public in accordance with Council Procedure Rules 14,15 and 16

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

For those members of the public who have submitted any questions or statements, please note, a three minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue.

Temporary measures during the Coronavirus Pandemic
Due to the Government guidance on measures to reduce the transmission of coronavirus (COVID-19), we will holding meetings in a virtual manner which will be live webcast on our website. Members of the public will still be able to register to speak and ask questions, which will then be read out by the Governance and Democracy Case Manager during Public Question Time and will either be answered by the Chair of the Committee, or the relevant Portfolio Holder, or be followed up with a written response.

4. To receive any communications or announcements from the Chair of the Council

5. To receive any communications or announcements from the Leader of the Council

6. To receive only in relation to the business for which the Extraordinary Meeting has been called any questions from Councillors in accordance with Council Procedure Rule 13

7. General Fund Revenue Budget and Capital Estimates 2021-22 (Pages 5 - 34)

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

The purpose of this report is to provide Members with information required for Full Council to approve the proposed revenue budget estimates and capital programme for 2021/22, and to approve its proposed Council Tax rate for 2021/22.

8. HRA Revenue and Capital Budget Setting 2021/22 including Dwelling Rent Setting 21/22 and 30-Year Business Plan Review (Pages 35 - 96)

This matter is the responsibility of Executive Councillor for Housing, Councillor Francesca Smith.

This report updates Members on the proposed Housing Revenue Account (HRA) Annual Revenue Budget and Capital Programme for 2021/22, the proposed Rent Setting for 2021/22 and an update on the 30-Year Business Plan Review.

JAMES HASSETT
CHIEF EXECUTIVE

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If you would like to ask a question or speak at a meeting, you will need to submit your request to a member of the Governance Team in advance of the meeting. You can request to speak at a Council meeting by emailing your full name, the agenda item and your question to the Governance Team using governance@somersetwestandtaunton.gov.uk

Any requests need to be received by 4pm on the day that provides 2 clear working days before the meeting (excluding the day of the meeting itself). For example, if the meeting is due to take place on a Tuesday, requests need to be received by 4pm on the Thursday prior to the meeting.

The Governance and Democracy Case Manager will take the details of your question or speech and will distribute them to the Committee prior to the meeting. The Chair will then invite you to speak at the beginning of the meeting under the agenda item Public Question Time, but speaking is limited to three minutes per person in an overall period of 15 minutes and you can only speak to the Committee once. If there are a group of people attending to speak about a particular item then a representative should be chosen to speak on behalf of the group.

Please see below for Temporary Measures during Coronavirus Pandemic and the changes we are making to public participation:-
Due to the Government guidance on measures to reduce the transmission of coronavirus (COVID-19), we will holding meetings in a virtual manner which will be live webcast on our website. Members of the public will still be able to register to speak and ask questions, which will then be read out by the Governance and Democracy Case Manager during Public Question Time and will be answered by the Portfolio Holder or followed up with a written response.

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Somerset West and Taunton Council

Special Full Council – 18 February 2021

General Fund Revenue Budget and Capital Estimates 2021/22

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

Report Author: Emily Collacott, Lead Finance Business Partner (Deputy S151 Officer)

1 Executive Summary / Purpose of the Report

1.1 The purpose of this report is to provide Members with information required for Full Council to approve the proposed revenue budget estimates and capital programme for 2021/22, and to approve its proposed Council Tax rate for 2021/22.

1.2 The Final Finance Settlement for 2021/22 was issued by Government on 4 February, 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 information is in line with the provisional Finance Settlement. This is subject to debate and vote in the House of Commons on 10 February 2021. Funding for later years is subject to future Spending Reviews by Government and anticipated funding reform.

1.3 Executive proposes 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 proposes 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 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 Full Council notes the S151 Officers Statement on the robustness of the budget and adequacy of reserves as set out in section 17.

2.2 Full Council approves the General Fund Revenue Budget.

2.3 Full Council approve the setting of 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 Full Council approve the Special Expenses Precept of £1.91 for a basic band D council tax in respect of the Unparished area of Taunton.

2.5 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.

2.6 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.

2.7 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.

2.8 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 consider 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 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 was published on 4 February 2021 and there is no change from the provisional Finance Settlement, though it is subject to debate and vote in the House of Commons on 10 February. Any changes will be updated verbally at the meeting.

4.9 At the Executive meeting on 9 February a further recommendation was approved to add two one off budgets into the budget proposals. The first is £100k for further Tree Planting across the district and the second is £100k for a Community Enhancement Fund to help support the community across Somerset West and Taunton following the impact of COVID.

5 2021/22 Budget Summary

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

5.2 Following

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	9,324,155
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**	**21,019,756**
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	1,665,036
Transfer to General Reserves	300,000	-1,159,562
SWTC Net Expenditure	**21,051,280**	**18,742,732**
Parish Precepts	2,446,428	2,508,359
Total Expenditure Including Town/Parish Precepts	**23,497,708**	**21,251,091**
Retained Business Rates	-6,220,597	-6,181,661
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	12,556,229
Business Rates Holiday 2020/21 S31 Grant	0	-11,118,000
Business Rates Losses 2020/21 S31 Grant	0	-998,505
Demand on Collection Fund – Parishes and Special Expenses	-2,475,668	-2,537,452
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**

5.3 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**
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 – the contribution is not required for 2021/22.	D&P	-230	
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	
Reduction in the revenue contribution to capital projects	Corporate	-15	
			-4,243
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	

	Directorate	£'000	£'000
Feasibility Studies.	D&P	82	
Street Cleansing Contract – increase in base budget to match the contracted costs.	EO&CC	50	
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	
Tree Planting – additional budget for further tree planting across the district.	EO&CC	100	
Community Enhancement Fund – to help support the community following COVID.	EO&CC	100	
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	
			4,176
Reserve Movements:			
Remove 20/21 one-off contribution to General Reserves	Corporate	-300	
Contribution from General Reserves to 21/22 budget	Corporate	-1,159	
Remove 20/21 transfers to earmarked reserves	Corporate	-2,448	
Transfer to Business Rates Smoothing Reserves re Hinkley rateable value volatility risk	Corporate	1,975	
Transfer from Business Rates Smoothing Reserves re Collection Fund Deficit	Corporate	-310	
			-2,242
Increase in Parish Precepts			**62**

	Directorate	£'000	£'000
Net Expenditure Base Budget 2021/22			**21,251**

	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	
Collection Fund - Council Tax	Corporate	-71	
Collection Fund - BRR	Corporate	14,627	
BRR Reserve to offset 20/21 Collection Fund Deficit - RHL BR Holiday 20/21	Corporate	-11,118	
BRR Reserve to offset 20/21 Collection Fund Deficit – Other BR Losses 20/21	Corporate	-999	
Decreased Retained Business Rates	Corporate	39	
Business Rates Pooling Gain	Corporate	-250	
Increase in Parish Precepts		-62	
			2,247
Total Funding 2021/22			**-21,251**

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. The final Finance Settlement figures remain the same.

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 Finance Settlement 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'. The NNDR1 has now been completed and this has improved the estimated total business rate income retained by SWT by £475k compared to previous estimates.

7.3 A summary of the 2021/22 Retained Funding estimate is shown in the table below.

Table 4 – Business Rates Retention Estimates

Business Rates Retention Funding Estimates	**2021/22 Estimates £**
Share of Business Rates Yield	23,446,011
Rates yield from renewable energy	204,676
Tariff to Government	-18,394,766
Levy Payment	-1,682,140
S31 Grant funding for Reliefs	2,607,880
Net Retained Business Rates Funding	**6,181,661**

7.4 The budgets proposals assume a pooling gain of £250k.

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 (£1.98m) 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	279,739
Council Tax Income Estimate 2021/22	9,392,528
Amount raised for Somerset Rivers Authority (see below)	97,909
Overall Total SWTC Council Tax Precept	9,490,437

9.4 The SWTC council tax charge represents around 9% 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 £2.41m of reserves across 2021/22-2022/23 reducing the General Reserves balance to £4.062m. 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		-1,159
MTFP Planned use of reserves 2022/23		-1,250
Projected uncommitted balance		**4,062**
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			14,114	14,114	-12,117	**1,997**
Budget Volatility and Risk	0			2,400	2,400		**2,400**
Investment Risk	3,500	0			3,500		**3,500**
NHB	6,860	391	-3,949		3,302		**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**	**18,914**	**35,582**	**-10,522**	**25,060**

*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 £11.1m), and the 75% tax loss compensation grant (estimated £3m). 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 2021/22 there is structural gap from 2022/23 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 2022/23 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	21,019,756	21,944,131	22,296,451	22,908,031	23,809,251
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	1,665,036	-310,417	109,583	420,000	420,000
General Reserves	300,000	-1,159,562	-1,250,000	0	0	0
Net Expenditure	**21,051,280**	**18,742,732**	**18,107,526**	**19,514,226**	**20,410,616**	**21,306,241**
Retained Business Rates	-6,220,597	-6,181,661	-4,198,506	-4,280,990	-4,363,476	-4,445,960
Business Rates prior year surplus/deficit	-2,070,739	12,556,229	1,331,340	1,331,340	0	0
Business Rates Holiday S31 Grant	0	-11,118,000	0	0	0	0
Business Rates Losses S31 Grant	0	-998,505	-998,505	-998,505	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**	**-18,3742,732**	**-14,632,896**	**-14,155,444**	**-14,923,827**	**-15,315,672**
Budget Gap	**0**	**0**	**3,474,630**	**5,358,782**	**5,486,789**	**5,990,569**
Gap – Change on Previous Year	0	0	3,474,630	1,884,152	128,007	503,780

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) 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)

24.1 Scrutiny supported the recommendations as written in the Scrutiny report.

24.2 The report was debated and the main areas of discussion were:

- Concern that the risks are not easily identified in the report – these are covered in the s151 officer's robustness statement which is included in the Executive and Full Council report.
- Concerns regarding the Commercial Investment income included in the budget and if the acquisition of assets didn't meet the target how would the shortfall in income be achieved. The S151 Officer clarified that this risk is mitigated through thorough due diligence, prudent investment decisions, and prudent budgeting, with contingency funds held in reserves to underwrite the budget if there is a shortfall.

- The amount of Business rates income that SWT retains in respect of Hinkley was discussed.
- Income target of £2m from sale of assets was discussed and queries raised as to where this would come from and what was the asset strategy. It was clarified that the Council holds a lot of assets and these will be reviewed to identify options for disposal, with decisions to be made in line with the Council's constitution.
- Queries regarding the proposal for free car parking at Christmas – the recommendation has been amended in the Executive and Full Council report which provides more clarification.

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

Contact Officers

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GENERAL FUND DRAFT REVENUE BUDGET 2021/22

Cost/Ctr	Service Area	Draft Budget 2021-22 (£)
	Senior Management Team	**554,210**
SM000G	Senior Management Team	554,210
	Internal Operations	**9,324,155**
	Corporate:	**5,473,040**
FB000G	Comms and Engage Oper Costs	191,580
SH014G	Comms and Engagement	234,090
CC004G	SHAPE Legal Partnership	410,150
FC000G	Governance	406,610
SC001G	Register of Elections	64,350
SC002G	Conducting Elections	14,930
SC004G	Members	498,540
SC006G	Internal Audit	132,320
SG007G	Health and Safety at Work	80,200
SH001G	ICT Infrastructure	1,173,190
SH002G	ICT Communications	350,050
SH003G	ICT Systems	551,020
RH000G	Internal Change	272,940
FE000G	People - HR	959,770
SC003G	Learning & Develop	133,300
	Customer:	**2,175,800**
SE018G	Business Intelligence	281,790
SE020G	Business Operations	671,530
SE006G	Deane Helpline	(108,890)
SE012G	Customer Contact Centre	1,000,450
SE030G	Visitor Centres	(22,480)
SE019G	Digital Mailroom	0
SE029G	Income Control and Sundry Debt	342,910
SE009G	Council Tax Collection (rev)	66,170
SE010G	Council Tax Support (Benefits)	77,580
SE059G	Powys Fraud Contract	30,250
SE014G	Discretionary Housing Payments	0
SE041G	Rent Allowances	(159,930)
SE042G	Rent Rebates	(80,080)
SE048G	Universal Credit	0
FC001G	Strategy	76,500
	Finance:	**1,675,315**
SC007G	Non-Distributed Costs	1,904,460
SC009G	Corporate Management	(1,223,480)
SH004G	Insurance	97,030
SH012G	Finance	897,305

GENERAL FUND DRAFT REVENUE BUDGET 2021/22

Cost/Ctr	Service Area	Draft Budget 2021-22 (£)
	Housing Directorate	**3,028,290**
	Housing & Communities:	**1,580,930**
HS015G	GF Homelessness Team	735,550
SE026G	Homelessness	642,000
SE022G	Housing Enabling	154,980
SE023G	Housing Options	48,400
SE028G	Homefinder	0
SE027G	Rough Sleepers Initiative	0
	Housing Development & Regeneration:	**942,370**
HS023G	Housing Strategy Team	107,880
HS014G	Housing Enabling Team	153,690
HS021G	Community Resilience	292,700
SF003G	Community Grants	215,870
SE007G	Community Safety	128,460
SF020G	Community Chest Fund	0
SC008G	Shopmobility	43,770
	Housing Property:	**504,990**
HS003G	Corporate Property Team	329,370
CC008G	Housing Partnership	175,620
	Development & Place Directorate	**2,230,860**
	Stragegic Place Planning:	**1,695,090**
FD000G	Strategy and Policy	797,480
RD000G	Strategy - Staffing Costs	0
SD001G	Planning Policy	0
SD002G	Garden Town	118,480
SE033G	Local Land Charges	(58,150)
PG007G	Taunton BID	0
SE011G	Culture & The Arts	202,890
SE015G	Economic Development	551,680
SE036G	Planning Applications	137,070
SE008G	Conservation & Listed Build	55,150
SE045G	Sports Develop & Community	40,000
SE038G	Planning Applications & Advice	(84,820)
SG005G	Indoor Sports & Recreation	(7,690)
SE005G	Community Infrasture Levy	(57,000)
	Major and Special Projects:	**535,770**
CC000G	Major and Special Projects	396,080
PG009G	Growth Programme	150,000
RG000G	CIC - Staffing Costs	0
PG011G	Regeneration & Infrastructu	1,190
SG100G	Hinkley	(11,500)

GENERAL FUND DRAFT REVENUE BUDGET 2021/22

Cost/Ctr	Service Area	Draft Budget 2021-22 (£)
	External Operations & Climate Change Directorate	**8,183,351**
	Climate Change & Assets:	
	Asset Management	**1,435,660**
SG003G	Asset Management	827,810
SG008G	Deane House	410,780
SG009G	Westpark	135,530
SG010G	Roughmoor Depot	(25,610)
SG011G	Brunel Way Depot	36,900
SG012G	West Somerset House	89,700
SG013G	Roughmoor Enterprise Centre	16,780
SG014G	Barnsclose Units	3,770
SG024G	Seaward Way	(60,000)
	Climate Change	**723,110**
SD004G	Climate Change	723,110
	Facilities Management	**250,190**
SG004G	Central Service Overheads	104,380
SG006G	Facilities Management	145,810
	Floods & Harbours	**499,821**
SF005G	Flood Defence & Land Drainage	401,451
SF006G	Harbours	87,370
SF008G	Coast Protection	11,000
	Licensing	**(39,070)**
SE032G	Licensing	34,540
SE043G	Taxi Licensing	(73,610)
	Private Sector Housing	**243,660**
SE016G	Dog Warden Service	36,010
SE039G	Pollution Control	(8,120)
SE040G	Private Sector Housing	215,770
	Public Health	**567,520**
SE017G	Public Health	513,630
SE021G	Food Safety	21,890
SE046G	Welfare Funerals	32,000
SF009G	Pest Control	0

GENERAL FUND DRAFT REVENUE BUDGET 2021/22

Cost/Ctr	Service Area	Draft Budget 2021-22 (£)
	Commercial Services:	
	Bereavement Services	**(699,870)**
SF002G	Bereavement Services	(699,870)
	Major Contracts	**6,576,710**
CC001G	Leisure Partnership	535,160
CC002G	Building Control Partnership	58,060
CC003G	Street Cleaning Partnership	1,197,060
CC007G	Waste Partnership	4,403,160
CC009G	Major Contracts	198,520
CC010G	Fleet Management	184,750
	Parking	**(4,032,370)**
CC005G	Park & Ride Contribution	0
CC006G	Parking Partnership	(4,032,370)
	Planning Obligations	**69,610**
SE035G	Planning Obligations	69,610
	Street Scene & Open Spaces	**2,459,790**
FF000G	Localities - Operational Costs	10,710
RF000G	Localities - Staffing Costs	0
SF001G	Grounds Maintenance	289,510
SF004G	Community Parks & Open Spaces	1,654,500
SF007G	Nursery	84,690
SF021G	Trees	177,860
SF022G	Play Areas	102,520
SF010G	Operation Clean Sweep	140,000
	Emergency Planning	**128,590**
SC005G	Emergency Planning	128,590
Various	**Technical Capital Accounting Adjustments**	**(2,301,110)**
	Net Total Spending on Services	**21,019,756**

2020/21 General Fund Capital Programme and Draft Budget for 2021/22 and 2022/23

Appendix B

	Budget and Forecast Expenditure							Estimated Financing Projections									
Description	Total 2020/21 Capex budget	Forecast Capital outturn 2020/21	Forecast Capital Outturn 2021/22	Forecast Capital Outturn 2022/23	Forecast Capital Outturn 2023/24	Forecast Capital Outturn 2024/25	Total Expenditure	Capital Grants CIL	Capital Grants Other	Section 106 Agreements	Capital Receipts	General Fund RCCO	New Homes Bonus Reserve	Capital Funding Reserve	Other Earmarked Reserves	Borrowing	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
General Fund																	
Development & Place: Dawn Adey																	
Investment Properties	50,000,000	40,000,000	10,000,000	0			**50,000,000**									50,000,000	50,000,000
Taunton Bus Station	77,068	77,068	0	0			**77,068**									77,068	77,068
Coal Orchard Construction	10,057,527	9,936,819	120,708	0			**10,057,527**		870,000		147,822		1,212,178			7,827,527	10,057,527
Coal Orchard Dev costs	293,097	37,862	255,235	0			**293,097**						0			293,097	293,097
Major Transport Schemes	580,000	0	580,000	0			**580,000**						0			580,000	580,000
Emp Site Enabling Innovation	100,000	0	100,000	0			**100,000**						60,000			40,000	100,000
Superfast Broadband (Legacy TD)	380,000	0	380,000	0			**380,000**				380,000		0				380,000
Superfast Broadband (Legacy WSC)	170,000	0	170,000	0			**170,000**				170,000						170,000
Steam Coast Trail	102,186	0	102,186	0			**102,186**		102,186								102,186
Seaward Way	2,056,314	1,774,848	281,466	0			**2,056,314**									2,056,314	2,056,314
Firepool Development	475,895	115,895	360,000	0			**475,895**						0			475,895	475,895
Firepool Master Planning	2,989,245	2,485,866	503,378	0			**2,989,245**						724,000		550,000	1,715,245	2,989,245
Great Western Railway Development Loan	5,000,000	5,000,000	0	0			**5,000,000**									5,000,000	5,000,000
J25 Improvement Scheme Contribution	1,500,000	1,500,000	0	0			**1,500,000**									1,500,000	1,500,000
Flooding Alleviation	6,000,000	30,000	2,262,000	2,500,000	1,208,000	0	**6,000,000**	5,762,100		237,900							6,000,000
CIL - Cycle & Pedestrian Improvements	500,000	0	500,000	0			**500,000**	500,000									500,000
CIL - Education Provision	4,000,000	0	1,000,000	1,000,000	1,000,000	1,000,000	**4,000,000**	4,000,000									4,000,000
CIL - Town centre regeneration	500,000	0	500,000	0	0		**500,000**	500,000									500,000
GF C CIL Grant	0	53,099	0	0			**53,099**									53,099	53,099
GF C Deane House Accommodation	0	19,834	0	0			**19,834**									19,834	19,834
Toneworks Wellington	500,000	500,000	0	0			**500,000**		500,000								500,000
GF C Taunton Tech. Park	0	0	0	0			**1**										0
Stogursey Victory Hall	637,896	0	637,896	0			**637,896**			637,896							637,896
Regeneration Projects	2,954,500	2,954,500	(0)	0			**2,954,500**									2,954,500	2,954,500
Innovation Centres	100,000	0	100,000	0			**100,000**						100,000			0	100,000
							0										
Total Development & Place	**88,973,727**	**64,485,792**	**17,852,869**	**3,500,000**	**2,208,000**	**1,000,000**	**89,046,661**	**10,762,100**	**1,472,186**	**875,796**	**697,822**	**0**	**2,096,178**	**0**	**550,000**	**72,592,579**	**89,046,661**
External Operations: Andrew Pritchard																	
Unparished Area Grants	11,000	11,000	0				**11,000**							11,000			11,000
Vehicles Acquisition	152,000	43,800	108,200				**152,000**				152,000						152,000
Waste Containers	100,000	100,000	0				**100,000**				100,000						100,000
Grants to Parishes Play	15,000	15,000	0				**15,000**					15,000					15,000
Replacement Play Equipme	64,000	64,000	0				**64,000**									64,000	64,000
SWP Waste Vehicle Loan	874,795	874,795	0				**874,795**									874,795	874,795
Plant	23,000	23,000	0				**23,000**				23,000						23,000
Crematorium Waiting Room	30,000	44,623	0				**44,623**									44,623	44,623
Watchet East Quay Development Loan (OC)	1,500,000	1,965	1,498,035				**1,500,000**									1,500,000	1,500,000
Cuckoo Meadow Play Area	1,103	1,103	0				**1,103**		1,103								1,103
Minehead Esplande	15,147	0	15,147				**15,147**		15,147								15,147
Leisure	1,000,000	0	1,000,000				**1,000,000**									1,000,000	1,000,000
Watchet Splashpoint Hole	704,096	704,096	0				**704,096**									704,096	704,096
Wellington Leisure Centre Air Handling Unit	253,000	253,000					**253,000**									253,000	253,000
East Quay Wall	840,000	207,172	632,828				**840,000**									840,000	840,000
Total External Operations	**5,583,141**	**2,343,554**	**3,254,210**	**0**	**0**	**0**	**5,597,764**	**0**	**16,250**	**0**	**275,000**	**15,000**	**0**	**11,000**	**0**	**5,280,513**	**5,597,764**
	0	0															0
Internal Operations: Alison North																	
Members IT Equipment	4,000	0	4,000				**4,000**				4,000						4,000
Change Programme	211,360	0	211,360				**211,360**				211,360					0	211,360
Community Alarms	25,000	25,000	0				**25,000**				25,000						25,000
IT Server Refresh	20,000	0	20,000				**20,000**							20,000		0	20,000
Resources for Change Programme	360,000	107,725	252,275				**360,000**				360,000						360,000
Finance System	76,770	76,770	0				**76,770**				76,770						76,770
SIP	353,700	353,700	0				**353,700**				38,870					314,830	353,700
Transformation	0	6,847	0				**6,847**									6,847	6,847

	Budget and Forecast Expenditure							Estimated Financing Projections									
Description	Total 2020/21 Capex budget	Forecast Capital outturn 2020/21	Forecast Capital Outturn 2021/22	Forecast Capital Outturn 2022/23	Forecast Capital Outturn 2023/24	Forecast Capital Outturn 2024/25	Total Expenditure	Capital Grants CIL	Capital Grants Other	Section 106 Agreements	Capital Receipts	General Fund RCCO	New Homes Bonus Reserve	Capital Funding Reserve	Other Earmarked Reserves	Borrowing	TOTAL
PC Refresh Project	46,500	27,027	19,473				**46,500**				46,500						46,500
Microsoft 365 Migration	132,170	132,170	0				**132,170**									132,170	132,170
IT Infrastructure Project		3,264	0				**3,264**									3,264	3,264
Total Internal Operations	**1,229,500**	**732,503**	**507,108**	**0**	**0**	**0**	**1,239,611**	**0**	**0**	**0**	**762,500**	**0**	**0**	**20,000**	**0**	**457,111**	**1,239,611**
	0																0
Housing: James Barrah																	
Grants to Registered Social Landlords	1,625,381	454,253	1,171,128				**1,625,381**			1,437,879	187,502						1,625,381
Disabled Facilities Grant (DFG)	2,653,642	2,653,642	0				**2,653,642**		2,653,642								2,653,642
North Taunton Equity loans	1,000,000	0	600,000	400,000			**1,000,000**		1,000,000								1,000,000
Gypsy / Traveller Site	108,502	0	108,502				**108,502**							108,502			108,502
Total Housing	**5,387,525**	**3,107,895**	**1,879,630**	**400,000**	**0**	**0**	**5,387,525**	**0**	**3,653,642**	**1,437,879**	**187,502**	**0**	**0**	**108,502**	**0**	**0**	**5,387,525**
	0																
Existing approvals for future years (mainly regeneration and investment)	0	0	65,590,902	20,380,739	26,021,936	0	**111,993,577**	2,500,000								109,493,577	111,993,577
Total Other Exiting Approvals	**0**	**0**	**65,590,902**	**20,380,739**	**26,021,936**	**0**	**111,993,577**	**2,500,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**109,493,577**	**111,993,577**
General Fund Total	**101,173,893**	**70,669,744**	**89,084,718**	**24,280,739**	**28,229,936**	**1,000,000**	**213,265,137**	**13,262,100**	**5,142,078**	**2,313,675**	**1,922,824**	**15,000**	**2,096,178**	**139,502**	**550,000**	**187,823,781**	**213,265,137**

Proposed Capital Bids for 2021/22 and 2022/23:

	Expenditure							Estimated Financing Projections									
2021/22 BUDGET - NEW BIDS			Capital Bids 2021/22	Capital Bids 2022/23			Total Expenditure	Capital Grants CIL	Capital Grants Other	Section 106 Agreements	Capital Receipts	General Fund RCCO	New Homes Bonus Reserve	Capital Funding Reserve	Other Earmarked Reserves	Borrowing	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Development & Place																	
Employment Land Schemes			275,000	300,000			**575,000**				575,000						575,000
	0	**0**	**275,000**	**300,000**	**0**	**0**	**575,000**	**0**	**0**	**0**	**575,000**	**0**	**0**	**0**	**0**	**0**	**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			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 Replacement			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
DLO Vehicles Replacement			252,000	152,000			**404,000**				252,000	152,000					404,000
DLO Plant and Equipment			23,000	23,000			**46,000**				23,000	23,000					46,000
	0	**0**	**2,135,360**	**932,360**	**0**	**0**	**3,067,720**	**0**	**800,000**	**0**	**1,957,720**	**310,000**	**0**	**0**	**0**	**0**	**3,067,720**
Internal Operations																	
Deane Helpline			25,000	25,000			**50,000**				25,000	25,000					50,000
Desktop Hardware Refresh			90,000	280,000			**370,000**				90,000	280,000					370,000
Members IT			0	0			**0**				0	0					0
Improvement and Efficency Programme			95,000	0			**95,000**				95,000	0					95,000
	0	**0**	**210,000**	**305,000**	**0**	**0**	**515,000**	**0**	**0**	**0**	**210,000**	**305,000**	**0**	**0**	**0**	**0**	**515,000**
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			245,621	245,621			**491,242**		491,242								491,242
	0	**0**	**496,621**	**496,621**	**0**	**0**	**993,242**	**0**	**993,242**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**993,242**
Total bids	**0**	**0**	**3,116,981**	**2,033,981**	**0**	**0**	**5,150,962**	**0**	**1,793,242**	**0**	**2,742,720**	**615,000**	**0**	**0**	**0**	**0**	**5,150,962**
Estimated Total Capital Programme	**101,173,893**	**70,669,744**	**92,201,699**	**26,314,720**	**28,229,936**	**1,000,000**	**218,416,099**	**13,262,100**	**6,935,320**	**2,313,675**	**4,665,544**	**630,000**	**2,096,178**	**139,502**	**550,000**	**187,823,781**	**218,416,099**

Somerset West and Taunton Council

Special Full Council – 18 February 2021

HRA Revenue and Capital Budget Setting 2021/22 including Dwelling Rent Setting 21/22 and 30-Year Business Plan Review

This matter is the responsibility of Executive Councillor Francesca Smith

Report Author: Kerry Prisco, Finance Business Partner (Housing & Communities)

1 Executive Summary

1.1 This report updates Members on the proposed Housing Revenue Account (HRA) Annual Revenue Budget and Capital Programme for 2021/22, the proposed Rent Setting for 2021/22 and an update on the 30-Year Business Plan Review.

1.2 The proposals included in this report would enable the Council to set a balanced budget for the HRA for 2021/22.

2 Recommendations

2.1 Full Council are asked to approve the following recommendations:

2.1.1 To approve the HRA Annual Revenue Budget for 2021/22.

2.1.2 To approve the increase of 1.5% (CPI+1%) to Dwelling Rents for 2021/22.

2.1.3 To approve the HRA Capital Programme for 2021/22.

2.1.4 To note the reviewed and updated assumptions in the 2021 HRA 30-Year Business Plan.

2.1.5 To approve the minimum operational balance on HRA general reserves at £2m.

3 Risk and Issues

3.1 Since 2012 the HRA has operated on a 'self-financing' basis with the Council funding council housing from the income generated from rents and other charges. Although 'self-financing' has provided the Council with more flexibility, it has also brought additional risk. Those risks are primarily concerned with threats to income and expenditure that could compromise the viability of the HRA Business Plan. The Council regularly monitors its risks via a risk register and below are a number of the key risks for 2021/22:

3.2 **Welfare Reform and Universal Credit (UC):** The impacts of Welfare Reform and UC on the HRA Business Plan are significant with the number and value of rent arrears expected to increase considerably. A number of mitigations are already in place to help support tenants affected by Welfare Reform and UC such as debt advice, access to discretionary housing payments and a new arrears management team with redesigned workflow processes. Welfare Reform and UC may require the Council to revise future income projections as our experience with Welfare Reform and UC develops.

3.3 **Movement in Business Plan Assumptions**: The HRA Business Plan incorporates many assumptions that contribute to the financial assessment of strategic and operational aspirations over the 30-year period. These include rates in inflation on income and expenditure, rates for new borrowing, minimum reserves levels, projected revenue and capital spend, etc. The direct influence officers have on some of these that could have a big impact is minimal (e.g. rates of inflation and borrowing) and we are at risk of having to react to whatever external political and economic market influences occur.

3.4 **Responding to increased stock quality standards**: Changes to the Regulator of Social Housing's decent home standard as well as higher thermal efficiency standards which are unsupported by additional external grant funding would place an additional burden on HRA resources available for elemental investment in homes. Once the detail is known, we will need to adapt to ensure we continue to maintain stock at the Decent Homes Standard and prepare to meet all the evolving expectations, incorporating the financial impacts into the Business Plan.

3.5 **Building Regulation and Fire Safety**: The Grenfell Tower fire and subsequent Review of Building Regulation and Fire Safety bring a number of operational and financial risks. These risk have been mitigated with the increases in revenue and capital budgets proposed for 2021/22 for compliance related work. However the exact costs are currently unclear and will require some degree of re-prioritisation within the 30-Year Business Plan. There are likely to be other impacts as a result, such as impacts on the repairs budget due to additional work to communal areas, more intensive management of flat blocks and further resilience within teams to respond to the volume and breath of enquiries. We will need ensure continued compliance with these statutory requirements.

3.6 **Housing White Paper:** In November the Government published the Housing White Paper which sets out the changes to how social landlords will operate. It will require a number of changes to home safety, tenant satisfaction measures, complaints handling, a new inspection regime for social landlords and a strengthened role for the Regulator of Social Housing. Many of the new changes in the white paper have already been mitigated in Housing by strengthening our compliance activities, setting up the new Housing Performance Team to be responsible for communications, performance data and engagement but this will need to be kept under review and self-assessment has begun.

3.7 **New Housing Supply**: The provision of new affordable housing is a key objective for the HRA Business Plan. Such development carries significant risks that we will need to continue to manage and monitor.

3.8 **Borrowing**: The Treasury announcement in the 2020 Spending Review that local authorities with plans to incur capital expenditure acquiring assets primarily for yield will not be permitted to access new PWLB loans for long term borrowing. In response to this, the authority will continue to manage borrowing requirements as a whole through our ongoing treasury management arrangements and will look to other sources for long-term capital finance. The risk is that it may take longer to arrange long term finance and that the rates will be determined by the market. We will continue to explore alternative sources of debt with advice from Arlingclose, our Treasury Advisors. The outcome of this may require further adjustments within the business plan relating to the assumed rate for new borrowing over the 30-year period.

3.9 **Unitary Authority**: the Secretary of State is due to make a decision before the summer recess in 2021. Whichever decision is made by Secretary of State our local government model will change and the HRA will be impacted by this. The risk for the HRA is the possible share of implementation costs, which are currently unknown, and whether these costs will need to be funded using revenue or capital budgets. From a capital perspective the business plan does provide some headroom to allow non-right to buy (RTB) receipts to be used as flexible capital receipts to fund transformation costs. However this direction ends on the 31 March 2022 and it is unknown if the government will approve an extension on this directive. If the costs can only be treated as revenue then we may need to review other expenditure to make this affordable and or consider the use of reserves.

3.10 **COVID-19**: The unknown future impact of the pandemic presents a risk to the Housing Service, particularly in terms of revenue collection as well as impact on tenant mental health and wellbeing. We have already seen a drop in inflation rates impacting our future income and expenditure, however another significant risk relates to financial hardship that will result from the impact of COVID, particularly following the ending of government support such as furlough and the current uplift in Universal Credit. The net result is likely to be higher unemployment and much tighter finances for many households which will impact on their ability to pay rent. Furthermore, there may be an increasing need to invest more in support services for tenant households affected by the impact of COVID. This could present across a range of service demands including increased debt and benefits advice; unemployment support, mental health support; anti-social behaviour intervention, safeguarding and domestic abuse support.

3.11 **Exiting the EU**: The reality of exiting the European Union remains in a state of uncertainty about what the impact will be now the government has negotiated a trade deal. This could affect the cost of goods/materials, services, development and funding.

3.12 **Inflation on Staffing Costs:** Staffing costs have not been inflated for 2021/22 following the government's announcement in respect of public sector pay. It is assumed for budget purposes that local government pay negotiations will follow suit. However if a 1% pay award was given this would cost the HRA an additional £65k (or an additional £152k at 2%) in direct staff costs.

3.13 **Government Rent Policy Change:** It is not inconceivable that we could see a further change in rent policy from government as we have seen before, to reduce rents, whilst this will support tenants financially it has a significant impact on our business plan, it also has the effect of a significant saving on the benefit bill for government so may be a current consideration for the treasury at the current time in light of impact of COVID.

4 Background and Full details of the Report

4.1 The HRA is a ring fenced account used to manage the Council's housing stock of some 5,700 properties, with the Council acting as the Landlord.

4.2 In April 2012, under the Localism Act 2011, the HRA (under the administration of Taunton Deane Borough Council (TDBC)) moved away from a national subsidy system (which required an annual payment from the HRA to Central Government) to become 'self-financing'. This enabled the Council to retain all rental income to meet the costs of managing and maintaining the housing stock, as well as meeting the interest payments and repayment of debt. As part of the self-financing agreement, a one-off payment of £85.198m was made to Government.

4.3 In order to manage the freedoms gained by the HRA through self-financing, a new 30-Year Business Plan (2012-2042) was introduced. This set out the Council's overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities.

4.4 The HRA Business Plan has been reviewed and updated annually since 2012, with a full review undertaken in 2016 and 2020 in response to the changes in national policies and local aspiration. The 30-Year Business Plan has again been reviewed as part of the 2021/22 budget setting cycle and the key changes / updates to the plan are described in section 5 below.

4.5 The HRA continues to face a number of risks and issues, many of which could be significant but the actual financial impact is not yet known. These risks and issues are more significant for us as we proactively drive forward substantial investment in social housing development, with both existing schemes and more schemes planned for the future. These risks and issues are discussed in section 3 above.

4.6 As part of the self-financing agreement, an individual housing revenue borrowing cap of £116m was implemented for TDBC. This meant that the HRA was unable to exceed a capital borrowing requirement of £116m within the HRA Business Plan. In October 2018 this borrowing cap was officially removed.

4.7 The HRA has benefited from these freedoms in particular the ability to develop new homes; with the addition of 183 homes to the housing stock since 2012.

5 The HRA 2021 30-Year Business Plan Review

5.1 Whilst the business plan is updated on a regular basis, a more thorough review was undertaken again this financial year as part of the budget setting process. This was as a direct result of the significant financial and economic impact caused by the COVID pandemic as well as the need to ensure a comprehensive financial investment appraisal was undertaken for the significant social development schemes recently considered.

5.2 Independent financial housing advice was sought from Altair to support the business in undertaking this in-depth review; to provide challenge to our existing assumptions and provide assurance in the HRA's ability to deliver the new build aspirations. The outcome of this evaluation can be found in Altair's report found in Appendix A**.**

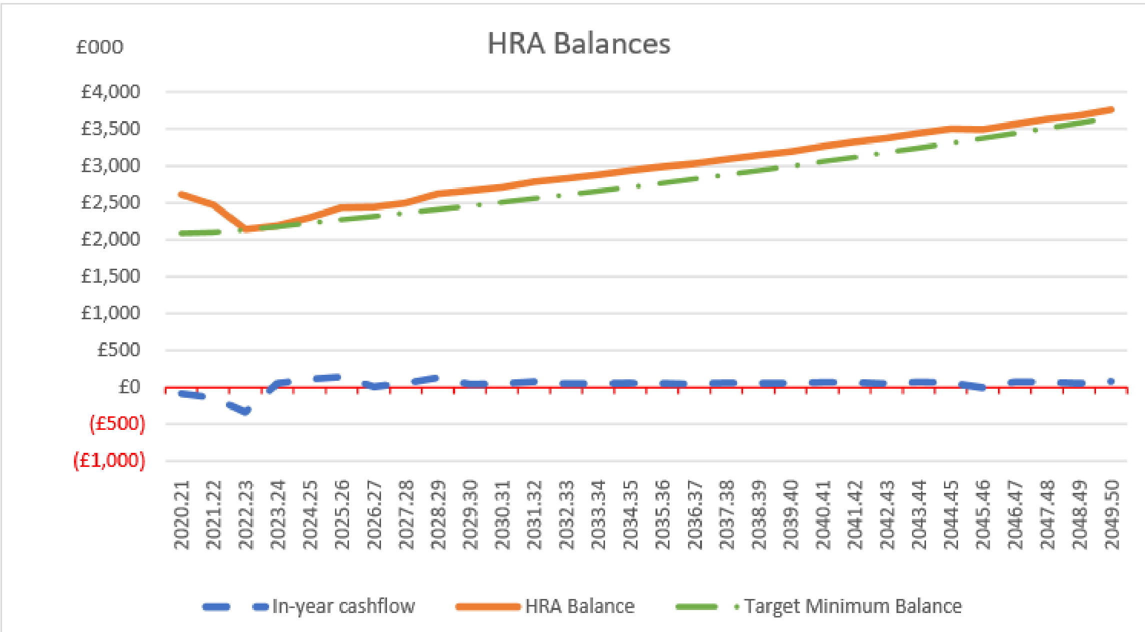
5.3 In summary, a new business appraisal model has been used and updated with the following key assumptions and projections:

- Revenue Budget Estimates for 2021/22
- Capital Programme for the next 10 years
- Dwelling Rent increase of 1.5% until 2024/25, reducing to just Consumer Price Index (CPI) thereafter
- Void loss at 2% of gross rental income
- Inflation projections that reflect the statistics published in October 2020 by the Office of National Statistic (ONS) (September CPI) and HM Land Registry (HMLR) (August House Price Index (HPI))
- Interest on new debt at 2% until 2024/25, rising to 2.5% thereafter
- Minimum reserves position of £2m
- Social housing development programme to include the recently approved Zero

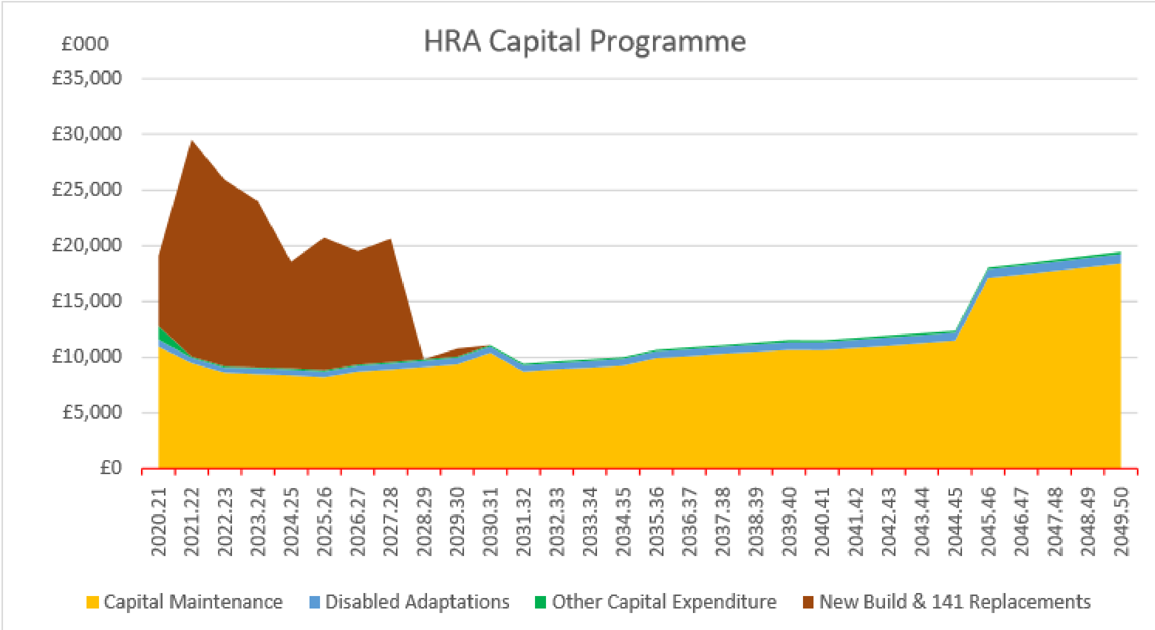
Carbon Pilot, Seaward Way, Oxford Inn and North Taunton Woolaway Project.

5.4 **Performance Measures**: The following measures have been used by Altair to assess affordability and financial sustainability of our operational aspirations, which have been summarised below as per Altair's report (see Appendix A Section 4).

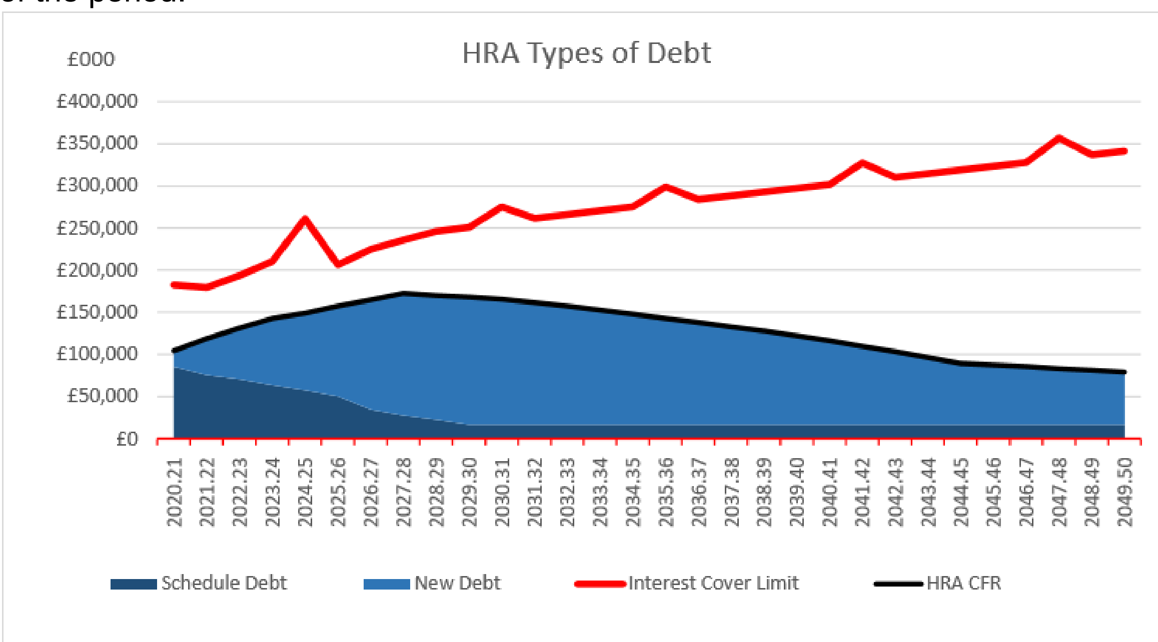
5.4.1 **Minimum General Reserves Balance:** This is maintained at above the minimum proposed limit of £2m throughout the forecast. The business plan assumes that any "excess" rents generated are made available to repay debt.



5.4.2 **Capital Programme**: The proposed capital programme enables the HRA to maintain its existing stock (amber area) and allows for the new build / purchase of an additional 374 units by 2027/28 (brown area). The investment requirement for the existing stock steps up significantly in the last five years of the forecast as a result of component replacements that are expected to become due. This is affordable within the current baseline position.

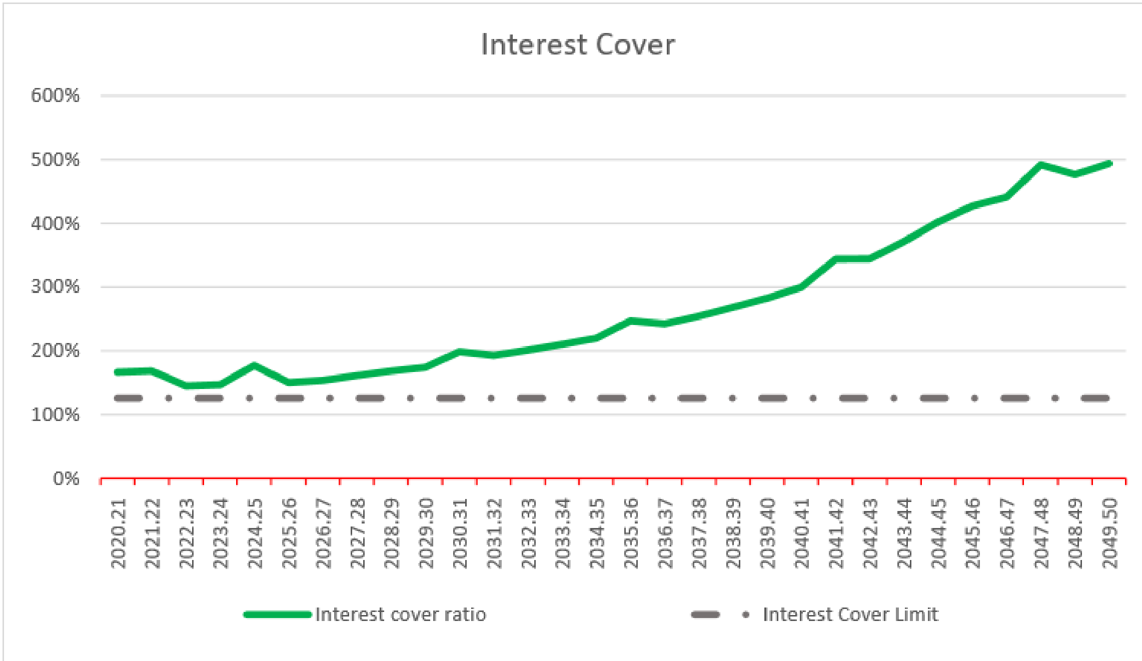


5.4.3 **Capital Financing Requirement**: There will be a need to take out additional (new) debt to pay for the capital programme and to refinance existing loans falling due. Therefore the borrowing requirement increases initially reaching a peak debt of £173m in 2027/28. The HRA is then able to reduce debt to a forecast residual balance of £79m at the end of the period.

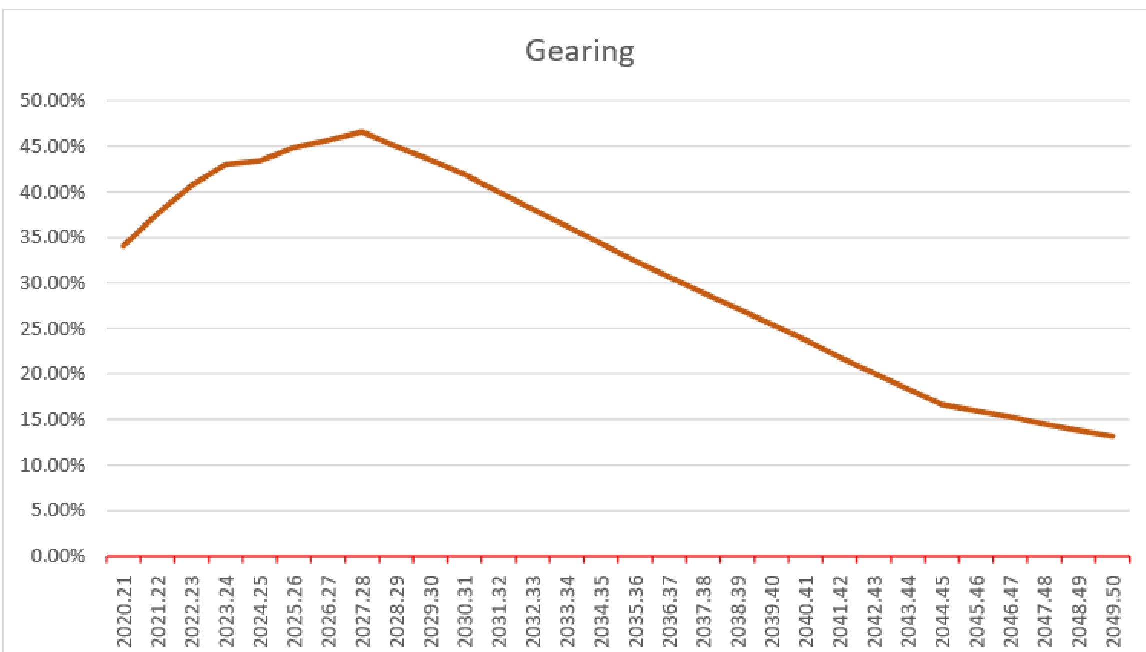


5.4.4 **Interest Cover**: This metric measures the ability of the HRA to be able to finance the interest payable on debt by 1.25 times or more. This measure is widely used by housing associations, and indicates the ability to pay for debt-related costs. The forecast shows that we meet and improve upon this minimum interest cover requirement during the 30-

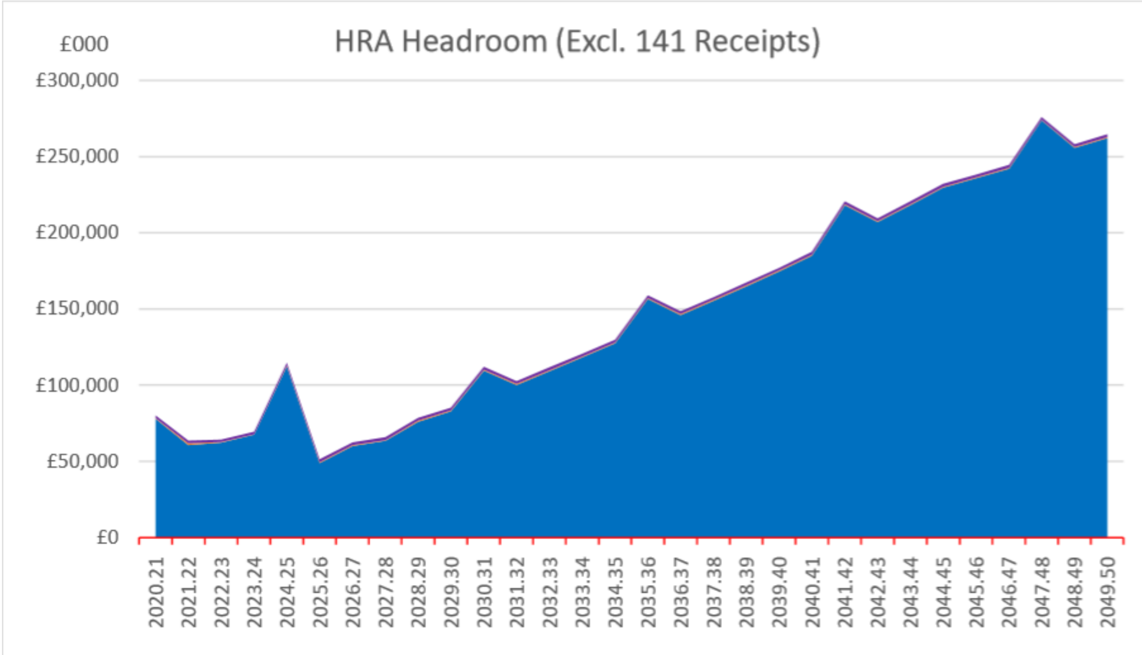
year period.



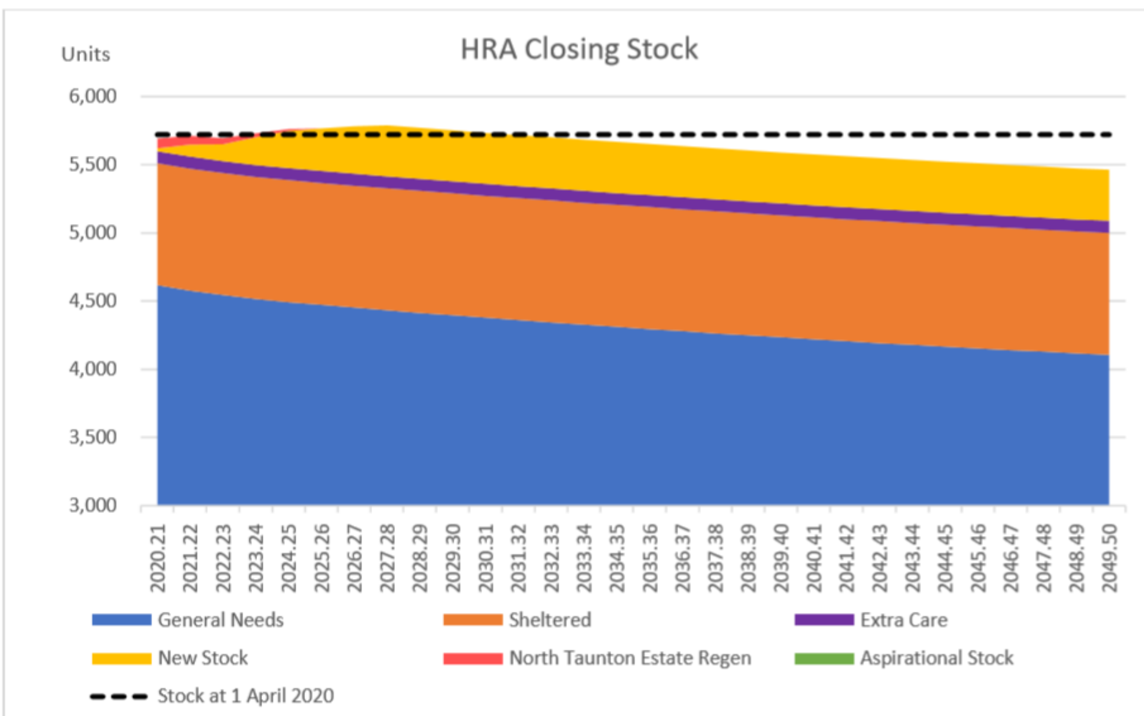
5.4.5 **Gearing**: This looks at the value of HRA assets and compares this to the level of debt. The baseline shows gearing peaking at 46.62% in 2027/28 and then reducing to 13.20% by the end of the forecast. To put this in context this is broadly equivalent to an owner occupier having a mortgage that comes to 46.62% of the value of their home.



5.4.6 **Headroom**: This represents the additional borrowing capacity available to the HRA without exceeding the interest cover limit. The headroom drops to its lowest of £48m in 2025/26, but overall this represents a reasonable level of headroom over the 30-year period. It is important that the HRA always maintains sufficient headroom to be able to react to emerging and / or unforeseen circumstances.



5.4.7 **Stock Levels**: There is an initial growth in stock numbers (374 units) from the new build social development schemes that are already approved reaching a peak of 5,834 units at the end of 2027/28. Thereafter assumed RTB Sales reduce stock levels to 5,515 units at the end of the period.



5.5 In summary, Altair have stated that the HRA's baseline presents a strong starting position. The HRA is able to deliver a substantial medium term development programme, while maintaining its existing stock and being able to repay the additional debt required to finance the capital programme by the end of the forecast period.

5.6 Therefore the current approved programme of works is affordable and financially sustainable based on current projections and the current economic climate. Throughout the Baseline forecast the HRA is able to operate well within its means, with further headroom available should it need to respond to unexpected changes in circumstances.

5.7 **Sensitivity Tests:** In essence this is still a high level business plan based upon on a number of assumptions which can easily change as seen with inflation and interest rates during the last year. Altair has undertaken a number of sensitivity tests (see Appendix A Section 7) on our baseline position to consider the impact this has on peak debt, debt at the end of the period and borrowing headroom. This will enable the business to manage those risks alongside the short and medium term activities of the business.

5.7.1 **One Year Rent Freeze:** The assumption that rents were frozen in 2021/22 and remained at the same levels of 2020/21 was modelled. This would reduce income generated in 2021/22 by £363k and this would also reduce income by £5.6m over the 30-year period. This is partially offset through the estimated turnover of tenants, with new tenants signing up on rent flexibility levels. By generating less income the HRA has less money available to repay debt and has to borrow more for a longer period. The impact within the 30-year business plan is that peak debt goes up by £1.797m and debt at the end of the forecast increases by £8.121m. In addition to this, if the HRA generates less income it has less money available to cover its interest payments on borrowings and therefore reduces the amount of money the HRA can borrow. The impact within the 30-year business plan is that the borrowing headroom reduces by £10.141m.

5.7.2 **Cost of Borrowing Increases:** Of the three sensitivity tests this had the greatest impact. A 1% increase in the cost of borrowing requires the HRA to use more rental income to pay for the debt interest payments instead of repaying the debt itself. Therefore the HRA has to borrow more for longer, resulting in peak debt rising by £2.8m a year later in 2028/29. The residual debt is also much higher increasing by £45m (to £115m).

5.7.3 **Increases in Cost:** A 0.5% increase in inflationary costs for five years to deliver services, investment and new homes (assuming the same level of income) was modelled. This means that there is less income available to finance and / or repay debt. Therefore the HRA has to borrow more for longer, resulting in peak debt rising by £2.3m 2027/28 and residual debt is £25m higher (to £95m).

5.8 **Target of 1,000 New Homes**: Altair have also extended the baseline position to model the affordability and financially sustainability of delivering further aspirational new build to meet the 1,000 new homes as per the 2020 Business Plan. The majority of the key measures look positive, however the overall debt position rises at the end of the 30-year period, which means that projected income from rents (and other sources) is unable to sustain the level of investment required to deliver these additional aspiration units without cost savings being delivered.

5.9 **Zero Carbon Retrofit**: The capacity to deliver a zero carbon retrofit (either within 10 years or 30 years) was also modelled but both placed significant pressure on the business plan with debt continuing to rise at the end of the period and leaving no headroom for unforeseen circumstances, which is not recommended. The business plan is currently unable to deliver both a development programme and a zero carbon retrofit programme. Unless there is significant government funding we will face future choices between our later years development plans versus retrofit as delivering both is not currently affordable, but this is a decision for a later time as the market and approach to retrofit matures.

6 HRA Budget Estimates for 2021/22

6.1 The draft HRA Revenue Budget for 2020/21 and 5-year Medium Term Financial Plan (MTFP), as a result of planned changes within the HRA 2021 Business Plan review and other changes, is included in Appendix B.

6.2 Table 1 below provides a summary of the main proposed changes to the annual revenue budget estimates from 2020/21 to 2021/22.

Table 1: HRA Budget Setting 2020/21 to 2021/22 Changes

	Reference Paragraph	**£'000**
Original Budget 2020/21 - balanced budget		
Income	6.4	(895)
Service Expenditure		
Growth:		
Growth for Salaries: Apprentices	6.7	100
Growth for Salaries: Systems Case Manager	6.8	48
Growth for Pension Deficit	6.9	43
Growth for Compliance Costs	6.10	455
Growth for Voids	6.11	94
Growth for New Mechanic Contract	6.12	20
Growth for Housing Partnership	6.13	23
Growth for Compliance Software	6.10	41
Inflation for Grounds Maintenance Contract	6.14	15
Removal of Efficiency Savings	6.15	100
Removal of Funding From Earmarked Reserve 20/21	6.16	183
Savings:		
Reduction in Shared Staff Costs	6.17	(457)
Reduction in Case Manager Post	6.18	(36)
Reduction in Staffing Costs	6.18	(58)
Capitalisation of Development and Construction Staff Costs	6.19	(200)
One-Off Saving on CCTV Contract	6.20	(15)
Other Adjustments	6.21	(47)
Central Costs / Movement in Reserves		
Inflation on Depreciation	6.21	662
Reduction in Interest Payments	6.23	(76)
Proposed Original Net Budget for 2021/22		**0**

6.3 The main changes include:

6.4 **Income**: as per section 7 and 8 below, we are proposing to increase rents and services charges (where applicable) by CPI+1%. We have also assumed a 2% void loss on dwelling rents which is an increase of 0.75% in light of the current climate (from 1.25% in 2020/21). For dwelling rents the increase in void rate has reduced income by £186k and the inflation generates £363k more income.

6.5 For temporary accommodation we have increased the void rate to 20% (from 10% in 2020/21) on standard stock reducing income by £15k. However this has been offset in part by the one-off addition of temporary accommodation in the North Taunton area adding a further £138k income in 2021/22.

6.6 Other changes include an increase in estimate RTB sales and service charges increased by inflation. The total changes in income equates to an additional £895k of income for next year.

6.7 **Apprentices**: an additional £100k has been included for 2021/22 to provide capacity to fund a number of apprentice positions to support the delivery of an excellent, customer focussed responsive and void repairs service. There is a shortage of skilled trade workers in the construction sector, both nationally and locally, and this has led to difficulty in our recruiting and retaining in this area. We would seek to 'grow our own' future skilled and dedicated trades persons, support their education and develop them through our existing trade services. We are looking for budget funding to enable four apprentice positions, over a range of trade areas, and give our existing team a real opportunity to demonstrate and pass on their skills to a future group of crafts people.

6.8 **Systems Case Manager**: this new post is being added to the staffing structure at an ongoing annual cost of £48k. This role will be fundamental to the Housing Directorate in providing a more cohesive housing systems application maintenance and support, and delivering efficiency improvements in the use of all housing system applications.

6.9 **Pension Deficit**: the contribution towards the pension deficit will increase in 2021/22 as determined by the Pension Fund actuary. This increase of £43k is the HRA's share of this cost inflation.

6.10 **Compliance**: the increase of £455k relates to the property safety compliance works required to ensure we meet relevant legislative standards, regulatory requirements and keep our customers safe are key activities for the Housing team. These works include ongoing inspections, safety checks and servicing in relation to fire safety, water safety management, electrical testing, passenger lifts and stair-lifts, and Air Source Heat Pump servicing. We have undertaken validation surveys throughout our property stock to ascertain the necessary checks needed, and also carried out Risk Assessments where required. This work has established a need for an ongoing programme of enhanced checks, delivered by both in-house and external resources, and the required funding to deliver this critical area of activity.

6.11 **Voids**: the increase of £94k relates to anticipated cost pressures from additional void repairs being required due to properties being returned with a higher level of outstanding repairs (either due to the previous tenant not requesting these be undertaken following anxiety about the work being done during the COVID pandemic, or due to a backlog of outstanding repairs generally), and also as a result of more properties becoming void as projects to deal with property under-occupation progress (generating more work required due to both the size of the void properties coming through, and proportionately more properties having higher levels of repairs required due to older tenants either refusing upgrade works in the past and / or not reporting responsive repairs).

6.12 **Mechanic Contract**: Our operational services are moving to a contracted Mechanic service provided by a third party rather than employing mechanics in our staff in order to provide a more flexible service, this budget provision of £20k is the HRA contribution to this service.

6.13 **Private Sector Housing Partnership (Somerset Independence Plus)**: SWT contract services from Sedgemoor District Council to deliver disabled facilities and adaptations to housing property and other services to tenants, alongside the work of this service to support private sector residents. In order to realign the budgets there is a one-off ongoing growth of £23k required for the HRA share of this contract.

6.14 **Inflation on Grounds Maintenance Contract**: as a direct result of increasing the grounds maintenance service charge by CPI+1% this provides extra budget availability to support this area of service delivery.

6.15 **Efficiency Savings**: the original target of £100k has been removed to rebase the budget for 2021/22. In light of the COVID pandemic the aspiration to find these efficiency savings during the year has not been fulfilled. The service will continue to strive to achieve and maintain efficiency savings wherever possible. We are currently re-establishing our Lean reviews of the three main housing processes of repairs, voids and income, with the income review already containing and reducing the level of arrears and the number of tenants in debt.

6.16 **Funding from Earmarked Reserves**: the one-off funding of £183k from earmarked reserves has been removed to rebase the budget for 2021/22.

6.17 **Reduction in Shared Staff Costs**: As part of the budget setting process for 2020/21, the HRA needed to take on a share of transition and service resilience cost pressures as well as a share of the temporary staff delivering the corporate change programme. This saving of £457k is the removal of these one-off cost pressures.

6.18 **Reduction In Staffing Costs**: this relates to the removal of a vacant post that is no longer required along with other full time equivalent (fte), scale point and off-scale adjustments.

6.19 **Capitalisation of Development and Construction Staff Costs**: as part of the Right To Buy (RTB) scheme eligible staffing costs are able to be capitalised and part funded using RTB Receipts. In light of the recently approved social housing development schemes a number of positions will be fundamental in the successful delivery of these schemes and therefore an approximate £200k of staffing costs will be able to be capitalised.

6.20 **CCTV Contract**: one-off savings of £15k have been identified from the under-utilisation of the camera maintenance sinking fund held by Sedgemoor as part of this contractual arrangement.

6.21 **Other Adjustments**: various budgets have been reviewed with many minor budget savings being offered up to an amount of £47k. This includes a reduction in the recruitment budget now that the majority of positions have been filled and a reduction in the training budget that has historically been underutilised. These adjustments can be made without impacting service delivery.

6.22 **Inflation on Depreciation**: Depreciation is transferred to the Major Repairs Reserve (MRR) and is used to fund the capital programme and/or repay debt. From 2017/18 depreciation has been required to be included within the HRA accounts on a component accounting basis. This means depreciation will need to be calculated on each of the major components of each house e.g. kitchen, bathroom, rather than being based on the Major Repairs Allowance (MRA), an estimation of the works needed to maintain the stock in good condition.

6.23 Depreciation is a year-end accounting adjustment that cannot be forecast with certainty prior to closing the final accounts. The estimated depreciation for 2021/22 is based on those calculations made for 2019/20 plus an allowance for sales and purchases during the year. This increase of £662k is in part a one-off catch up on inflation budgetary requirements as well as estimate for inflationary increases for next year's depreciation charges.

6.24 **Interest Payable**: The majority of existing external borrowing is based on fixed interest rates for the term of the loan, with only two loans based on variable rates of interest. Therefore we are able to predict the interest payment for these elements with a high degree of certainty. The HRA has since taken out a new loan of £10m reducing the amount of internal borrowing from the General Fund, which is charged at the average borrowing rate across the authority. The estimated budget for 2021/22 is £2,668,800 which is a decrease of £76k.

6.25 **Minimum general reserve balance**: under the Council's wider Financial Strategy the current minimum Operational Target is £2.4m and the Financial Resilience Target is £1.8m, for the HRA general reserve balance. We are now considering consolidating the two minimum reserve levels into one new one at a level of £2m; the amount is a balance between the risk of holding too much cash and therefore borrowing more than we need to and the ability to respond to unforeseen issues. Whilst also noting that we also have borrowing headroom in the business plan to allow us to increase borrowing should we need to.

7 Dwelling Rental Income

7.1.1 The Government introduced the Welfare Reform and Work Act 2016 Social Rent Reduction, which required all social housing landlords to reduce the rent payable by tenants by 1% each year for 4 years between April 2016 and April 2019 (excluding shared ownership homes and temporary accommodation). This superseded the Government's previous 10 year rent increase policy implemented in April 2015.

7.1.2 On 26 February 2019 the Ministry of Housing, Communities and Local Government confirmed that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020. The September 2020 CPI figure is 0.5% as published by the Office for National Statistics on the 21 October 2020.

7.1.3 The Regulator of Social Housing issued a new Rent Standard for 2020 under the direction of the Government. This new Rent Standard will now apply to all housing associations, whereas previously Local Authorities were excluded from such standards.

7.1.4 A separate Rent Setting Policy, covering the content and those elements proposed to be adopted by the Council from within the Regulator of Social Housing's Rent Standard

2020, was approved by Full Council in February 2020.

7.1.5 The Rent Setting Policy recommends that social rents for existing tenancies will be reviewed annually and any increases will not exceed the limit of Consumer Price Index (CPI) plus 1% for 5 years from April 2020.

7.1.6 Therefore in accordance with the Regulator of Social Housing's new Rent Standard from April 2020, Dwelling Rents for 2021/22 will increase by CPI+1%. Table 2 below shows the average weekly rent for existing and new tenants.

Table 2: Average Weekly Rents

Tenancy Type		**Average Weekly Rent 2020/21 (£)**	**Average Weekly Rent 2021/22 (£)**	**Average Change Per Week (£)**
General Needs	**Existing Tenants**	84.28	85.54	1.26
	New Tenants	88.49	89.82	1.33
Sheltered/ Supported Housing	**Existing Tenants**	77.40	78.56	1.16
	New Tenants	85.14	86.42	1.28
Extra Care	**Existing Tenants**	77.49	78.65	1.16
	New Tenants	85.24	86.52	1.28

7.1.7 For comparison, table 3 shows the average weekly general needs social rent for SWT in comparison with other housing (association) providers in the Taunton Deane area. Please note that this data has been sourced from the Magna website[1] and we have inflated the data based on that applied to SWT rents since 31 March 2018 for comparison purposes. The data suggests that SWT is providing the lowest average weekly general needs social rents in the Taunton Deane area.

Table 3: Average Weekly Social Rents in the Taunton Deane Area

Taunton Deane	**Average Weekly Rent (£) - 2020/21**	**Average Weekly Rent (£) - 2021/22**
Aster Communities	107.72	109.34
Yarlington Housing Group	107.61	109.22
Curo Places Limited	106.62	108.22
Sanctuary Housing Association	95.40	96.83
Stonewater (3) Limited	95.10	96.53
Stonewater (5) Limited	94.56	95.97
Liverty Limited	93.57	94.97
Magna Housing Limited	92.61	94.00

[1] https://www.magna.org.uk/your-home/rent/how-our-rents-compare

Stonewater Limited	92.43	93.82
Places for People Living+ Limited	84.80	86.07
SWT	84.28	85.54

7.1.8 The increase in rental income generated year on year is vital to enable the HRA to deliver its aspirations and maintain business continuity over the long term. The HRA has an ambitious new build social development programme to add zero carbon homes to its housing stock. This will require significant investment and the need to use rental income to fund interest payments on borrowing and the repayment of debt. Income is also required to finance the continued investment in maintaining our existing homes, other assets and neighbourhoods to a high standard with a comprehensive planned programme of expenditure, adaptions and routine repairs in place. The rental income will also enable the HRA to continue providing and improve upon the strong community support offered to tenants providing them with additional support to sustain individual tenancies as well as investing in a range of community based projects and groups.

7.1.9 The decision to inflate rents each year is difficult, even more so this year as our communities continue to respond to the challenges placed upon them as our economy moves back into a recession due to the impacts of COVID and Brexit. With 62% of our tenants having their rents funded through benefits, it is the 38% of self-funders we need to consider and the long term impact on the HRA business plan.

7.1.10 In terms of supporting our self-funders we have a range of options to help these tenants including debt and benefit advisers to enable tenants to manage their finances and to maximise the income available to them e.g. access to welfare benefits. We also have a dedicated team of officers who monitor arrears and engage frequently with this group of tenants to ensure early intervention if the tenants is experiencing financial difficulties. In addition to this the HRA make grant payments to external agencies such as Citizens Advice Bureau and also Inspire to Achieve who help tenants in our communities improve their employment opportunities. Further information can be found in the Equality Impact Assessment form in Appendix D.

7.1.11 The consequences of freezing rents will impact both the income generated in that financial year but also income generated in future years. As mentioned above in section 5.7, a sensitivity test was undertaken to assume that rents were frozen in 2021/22 and remained at the same levels of 2020/21. This increased peak debt as well as increasing debt at the end of the period. It also reduced the amount of money the HRA could borrow.

8 Non-Dwelling Rental Income and Service Charges Income

8.1 This incorporates income from non-dwelling rents (mainly garages but also shops, land access and meeting halls), charges for services and facilities, and contributions to HRA costs from leaseholders and council tenants. This accounts for approximately 8% (c£2.3m) of total HRA income.

8.2 These fees and charges can be approved by the S151 Officer under delegated powers set out in the Constitution. The exception is the setting of Dwelling Rents which will still be submitted for Full Council for approval as per section 7 above.

8.3 The HRA fees and charges have been approved by the Section 151 Officer for 2021/22.

This has generated £97k of additional service charge income for 2021/22.

9 Housing Revenue Account Capital Programme for 2021/22

9.1 The draft HRA Capital Programme for 2021/22, that will deliver the capital investment proposed within the Business Plan, is £13.8m and is shown in table 4 below. This does not include social housing development schemes that have been previously approved.

9.2 The draft 10-Year HRA Capital Programme from 2021/22 to 2031/32, that will deliver the capital investment proposed within the Business Plan, is shown in Appendix C.

Table 4: HRA Capital Programme for 2021/22

Capital Investment	**Total Cost £000**
Major Works	8,884
Fire Safety	202
Related Assets	100
Exceptional & Extensive	294
Vehicles	121
Aids & Adaptations & DFGs	370
Social Housing Development	3,830
Total Proposed HRA Capital Programme 2021/22	**13,800**

9.3 The estimated capital investment per scheme and the scheme itself is explained in more detail below. Whilst Officers have estimated the planned spend based on information currently available to them, these estimates are subject to change depending on contract negotiations, contractor availability, demand on the business, the condition of voids returned to the council and changing business priorities. Therefore any changes to the profile of spend between schemes will be subject to approval by the Housing Director and the Housing Portfolio Holder, and reported through the quarterly budget monitoring reports.

9.4 It is proposed that the HRA Capital Programme for 2021/22 shown above in table 4 will be funded from an appropriate combination of Major Repairs Reserves (from depreciation), revenue contributions, capital receipts, capital grants and borrowing.

9.5 A summary of the estimated funding profile for the 2021/22 capital programme is shown in the table 5 below. The final funding profile will be agreed by the Section 151 Officer as per the financial procedure rules.

Table 5: Capital Investment Funding Estimates

Capital Investment	**Total Funding £000**
Major Repairs Reserve	7,538
Revenue (RCCO)	-
Capital (RTB) Receipts	1,149
Capital (Non-RTB) Receipts	1,356
Capital Grants Receipts	244
Borrowing	3,514
Total Funding	**13,800**

9.6 Major Works

9.6.1 These schemes will be focusing on ensuring that a decent homes standard is maintained and that the housing stock major components are replaced periodically as per our capital works programme for 2021/22. This will also include unplanned major works on voids where the property is returned in a poor condition and requires a full re-work ahead of the capital works programme.

9.6.2 The Major Works capital programme will be broken down into component schemes, with table 6 below showing the estimated amount to be spent on each scheme.

Table 6: Major Works

Capital Scheme	Total Cost £000
Kitchens	2,095
Bathrooms	1,020
Roofing	432
Windows	640
Heating (Open Vented)	878
Doors	100
Fasciae and Soffits	309
Ventilation	40
Door Entry Systems	400
Voids Kitchens and Bathrooms	329
Sewerage and Drainage	100
Water	169
Scaffolding	50
Heating for Warmer Homes	1,037
Environmental Improvements	100
Unadopted Areas	50
Electrical Works	466
Insulation	495
Other	175
Total	**8,884**

9.7 Fire Safety

9.7.1 The Fire Safety capital programme will be focusing on ongoing fire safety works and ensuring all housing stock continues to adhere to the fire safety regulations. The proposed capital investment will be £202k.

9.8 Related Assets

9.8.1 The Council also owns a number of related assets in addition to the housing stock. These include garages, meeting / community halls and shops. The proposed capital investment of £100k will ensure that these assets are maintained as required.

9.9 **Exceptional Extensive Works**

9.9.1 The proposed capital investment of £294k will be used for asbestos removal.

9.10 **Disabled Facilities and Aids and Adaptations**

9.10.1 This is an annual recurring budget for small and large scale home aids and adaptations in tenants' homes where there are mobility issues. This budget is demand led by requests from tenants or through recommendations by occupational therapists or other healthcare professionals. Applications are made through the Somerset West Private Sector Housing Partnership. The capital investment for 2021/22 will be £370k.

9.11 **Vehicles**

9.11.1 The service uses a combination of both owned and leased vehicles depending on the complex nature of the vehicle requirements, to deliver services to our tenants. The proposed capital investment of £121k per year is to cover the replacement cost of owned vehicles on a cyclical basis.

9.12 **Social Housing Development**

9.12.1 The HRA has four pre-approved social housing development schemes (Zero Carbon Pilot, Seaward Way, Oxford Inn and North Taunton Regeneration Project) which should meet our total spend requirements for 2021/22 under the RTB "1-4-1 Agreement" (explained in section 9 below).

9.12.2 However a proposed budget of £3.83m has been included within the capital programme to represent the 2021/22 RTB spend requirement. This will provide the service flexibility to ensure this is achieved through alternative means in case the delivery of any of the schemes are delayed through any unforeseen circumstances. This would be funded 30% from retained RTB capital receipts and the remainder from borrowing.

10 HRA Borrowing

10.1 In 2012 the Council took out additional external borrowing of £85.198m as part of the self-financing settlement with the Government. This meant that the total debt owed by the HRA at the start of self-financing was £99.649m (which included £9m of pre self-financing loans and £5.451m of internal borrowing).

10.2 As part of the self-financing agreement, an individual housing revenue borrowing cap of £116m was implemented for TDBC. This meant that the HRA was unable to exceed capital borrowing of £116m within the HRA Business Plan. Although the Government abolished the HRA Debt Cap in October 2018, it is proposed to set a prudent debt cap for the HRA.

10.3 The total capital borrowing requirement (debt balance) owed by the HRA at the start of 2020/21 was £108m. This was financed by £79m of existing external loans, with the balance funded through internal borrowing. During the year the HRA has taken out a new external loan of £10m for 50 years secured at 1.64%.

10.4 The HRA 2020 Business Plan assumes that there will be a significant increase in new borrowing over the next 10 years to meet the increased ambitions for capital investment. This will result in additional cost pressures to cover the financing of this new investment and refinancing of existing loans.

10.5 The budgeted annual provision of £1.821m for the repayment of debt will be used to repay existing debt, finance any new external borrowings as required or to reduce the year-on-year capital financing requirement. Any surplus funds from the revenue account will be used to protect reserves in the first instance but will then be used to reduce future capital financing requirements.

10.6 As mentioned in section 3, the issue that the HRA is currently facing, following the announcement in the 2020 Spending Review 2020, is that the HRA is unable to access borrowing from PWLB during periods when the Council is also undertaking capital investment in assets primarily for yield.

10.7 The Section 151 Officer is working with Arlingclose, the Council's Treasury advisors, to explore alternative sources of borrowing and ensure that the HRA is able to refinance the existing loans as they fall due over the next 10 years and take out new borrowing to fund approved social housing development schemes in a way that minimises debt costs and risk. The risk is that this may take longer to arrange long term finance and that the rates will be uncertain as they will be determined by the market.

10.8 The funding and cash flow implications of the HRA 2020 Business Plan will be managed in line with the Council's Capital, Investment and Treasury Strategies which is approved before the start of each year.

11 Right to Buy (RTB) Receipts

11.1 The RTB scheme is a Government scheme that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The scheme saw the maximum discount increase significantly in 2012 to up to £75,000 followed by a steady increase year on year to up to £84,200 in April 2020.

11.2 Taunton Deane Borough Council signed up to a "1-4-1 Agreement" with the Treasury/MHCLG to retain a higher proportion of RTB the additional receipts on the proviso, and agreed that these receipts would be used to fund new social housing. This agreement continues now under SWT until such time as the Council decides to opt out. Only a small percentage of receipts from RTB sales are retained by the Council. These additional RTB receipts can only account for 30% of spend on new social housing costs, with the remaining 70% coming from other funds such as revenue funding or borrowing.

11.3 The RTB receipts cannot be used in the same scheme as other Government funding such as grants from Homes England. They must also be spent within three years of the capital receipt, or must be returned to Government with interest at 4% over base rate from the date of the original receipt. Receipts can be returned to Government in the quarter in which they are received with no interest payable.

11.4 Alternatively, the 30% RTB funding could be granted to and used by Housing Associations in the area, providing they meet the same match funding requirements. The new housing doesn't need to be provided by the Council.

11.5 To date, the Council has successfully spent all of their retained 1-4-1 receipts resulting in no returns being made to the Treasury/MHCLG.

11.6 **RTB Receipts Year to Date**: Table 7 below shows the number of RTB sales, the total (capital) receipts received under the new RTB discount scheme, the Council retained 1-

4-1 receipts to be used for new social housing, and the total amount that would need to be spent by the Council in order to fully retain them.

Table 7: Right to Buy Receipts

	Total 2012/13	**Total 2013/14**	**Total 2014/15**	**Total 2015/16**	**Total 2016/17**	**Total 2017/18**	**Total 2018/19**	**Total 2019/20**
Sales	37	47	35	38	44	53	34	45
Total Receipts (£k)	2,330	2,705	2,317	2,666	3,568	3,971	2,576	4,286
1-4-1 Receipts (£k)	1,234	1,230	1,005	1,193	1,864	2,069	1,149	2,547
1-4-1 Receipts Spend - Per Year (£k)				1,234	1,230	1,005	1,193	1,864
Match Funding Spend - Per Year (£k)				2,879	2,871	2,345	2,783	4,349
Total Spend Required - Per Year (£k)	**-**	**-**	**-**	**4,112**	**4,102**	**3,350**	**3,976**	**6,213**
Total Spend Required - Cumulative (£k)	-	-	-	4,112	8,214	11,563	15,539	21,752

	Total 2019/20	Total 2020/21	Total 2021/22	Total 2022/23
Sales	45	40	40	32
Total Receipts (£k)	4,286	2,918	2,918	2,300
1-4-1 Receipts (£k)	2,547	1,458	1,458	1,200
1-4-1 Receipts Spend - Per Year (£k)	1,864	2,069	1,149	2,547
Match Funding Spend - Per Year (£k)	4,349	4,829	2,681	5,943
Total Spend Required - Per Year (£k)	**6,213**	**6,898**	**3,830**	**8,490**
Total Spend Required - Cumulative (£k)	21,752	28,650	32,480	40,970

[Note that the grey data is estimated.]

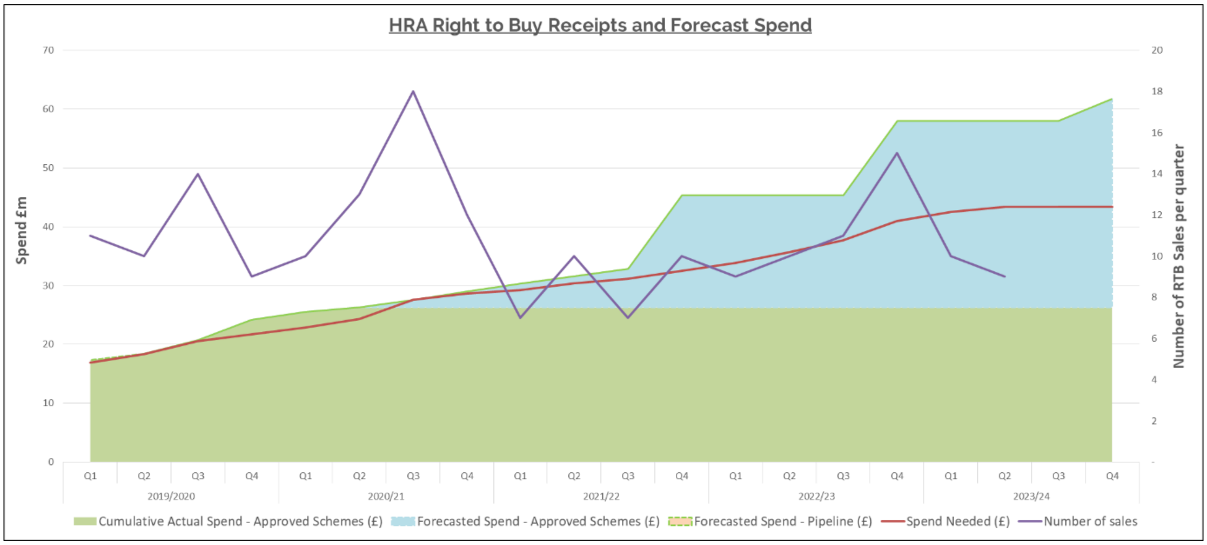
11.7 **Forecast Spend of RTB Receipts**: The spend year to date and the current forecast spend can be shown in graph 1 below. The COVID-19 pandemic has significantly impacted the ability to meet our 1-4-1 spend requirement this year, especially in the latter two quarters. The government has provided a temporary extension to retention agreement allowing us to the 31 March 2021 to spend our annual spend requirement. The estimated spend on approved schemes and additional open market buybacks, will just be sufficient to meet the RTB match funding requirements to quarter 4 of 2020/21.

11.8 Looking forwards over the next three years, there are a sufficient approved new build schemes that, if delivered on time, will see our RTB match funding requirements achieved for the next three years.

11.9 This will support the aspiration for an additional 1000 homes in the next 30 years, being able to achieve this with 30% match funding from RTB Receipts, whilst ensuring we do not have to return our RTB receipts (plus interest) back to the Government.

11.10 However this will require significant borrowing, which is now possible since the removal of the debt cap, and will have to be managed carefully within the overall 2021 Business Plan to ensure that the revenue account can fund the interest payments and principal loan repayment.

Graph 1: Right to Buy Receipts and Forecast Spend



12 Links to Corporate Strategy

12.1 The budget proposals for 2021/22 have been prepared in line with the HRA 2021 Business Plan and Corporate Strategy[2].

13 Finance / Resource Implications

13.1 This is a finance report and therefore no further finance comments are required.

14 Legal Implications

14.1 The HRA is governed by the following legislations:

- Housing Act 1985 (Part II)
- Housing Act 1988
- Local Government and Housing Act 1989 (section 74)
- Local Government Act 2003
- Localism Act 2011

14.2 The introduction of the Local Government and Housing Act 1989 meant that the HRA was now required to become a 'ring-fenced' account, completely separated from the GF. As a consequence local authorities can only include items in the HRA for which there is statutory provision, and transfers of income and expenditure between the HRA and the General Fund are only allowed in very specific circumstances. In essence, rents cannot be subsidised by transfers from the General Fund, and Council Tax cannot be subsidised by transfers from the HRA.

14.3 The introduction of the Localism Act 2011 reformed local authority housing financing with the abolition of the national subsidy system and a move to 'self-financing' from April 2012. This meant that local authority housing revenue accounts are able to retain all rental income to meet the costs of managing and maintaining their housing stock.

[2] https://www.somersetwestandtaunton.gov.uk/your-council/corporate-strategy/

15 Climate and Sustainability Implications

15.1 As part of the HRA 2020 Business Plan review a “Strategic Asset Investment Proposal For Housing In Relation to Achieving Affordable Warmth & Carbon Neutrality (Retrofit Strategy)” report was commissioned. This report was produced to inform the Council on how they could achieve carbon neutrality within the housing stock by 2030 as recommended within the “SWT Carbon Neutrality and Climate Resilience Plan”.

15.2 As part of the Major Works capital programme, the HRA will be looking to replace components in a thermally efficient way where possible, for example installing air source heat pumps, external wall insulation and thermally efficient windows.

16 Safeguarding and/or Community Safety Implications

16.1 The HRA has an ongoing responsibility for the safeguarding of vulnerable people within its communities. There are no changes proposed within this report.

17 Equality and Diversity Implications

17.1 The Housing Specialist has assessed the proposals presented within this report as driven by the HRA 2020 Business Plan and Rent Policy. An equality impact assessment form can be found in Appendix D.

18 Social Value Implications

18.1 Our approach to social value will encompass the full procurement and commissioning cycles, service planning and review, decision making and policy development as described in the Council’s Social Value Statement (Social Value within Procurement - June 2018).

19 Partnership Implications

19.1 The HRA budget includes significant expenditure on services provided by MIND, citizen’s advice, Inspire to Achieve, Taunton East Development Trust, North Taunton and Wiveliscombe Area partnership.

20 Health and Wellbeing Implications

20.1 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.

21 Asset Management Implications (if any)

21.1 This report includes a section relating to the capital programme for 2021/22 and therefore no further comments are required.

22 **Data Protection Implications**

22.1 None for the purposes of this report.

23 Consultation Implications (if any)

23.1 Consultation will be undertaken with tenants through the Tenants Strategic Group.

24 Tenants Strategic Group / Scrutiny / Executive Comments / Recommendation(s) (if any)

24.1 The Tenants Strategic Group have requested that the proposed budget saving of £10k from the Tenants Forum is reinstated. This will be funded from salary savings that have come to light since the salary budgets were finalised by staff requesting a change in their working hours. This is supported by the Executive at their meeting on the 9th February.

24.2 The Scrutiny Committee debated the report and a number of questions were presented. The topics included (but not limited to) the significant number of challenges faced by the HRA, the government's ability to impose changes to dwelling rents, the impact COVID and Brexit has had on the economy, rent arrears and the bad debt provision in the business plan, the impact of the latest Building Safety Review, debt cap removal, use of general reserves, sources of new borrowing, HRA part funding of the CCTV contract, fire risk assessments, disability statistics contained within the Equality Impact Assessment Form as well as the novation of the HRA into the new SWT boundaries and the ability to undertake social housing developments the old West Somerset Council area.

Democratic Path:

Committee / Board	Yes / No	Date
Tenants Strategic Group	Yes	25 Jan 2021
Scrutiny	Yes	27 Jan 2021
Executive	Yes	9 Feb 2021
Full Council	Yes	18 Feb 2021

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	HRA Forecast Update Report by Altair
Appendix B	HRA Revenue Budget and Medium Term Financial Plan
Appendix C	HRA 10-Year Capital Programme From 2021/22
Appendix D	HRA Equality Impact Assessment Form

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Appendix A

Somerset West and Taunton Council

HRA Forecast Update

Report version 2

7 January 2021

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Our report is addressed to the Director of Housing for Somerset West and Taunton Council. We stress that our report is confidential and prepared for the addressees only. It should not be used, reproduced or circulated for any other purpose, whether in whole or in part without our prior written consent, which consent will only be given after full consideration of the circumstances at the time.

If the report is released to a third party without prior consent from Altair, we do not acknowledge any duty of care to the third party and do not accept liability for any reliance placed on the report.

1 | Executive Summary

1.1. We have produced an updated set of Baseline forecasts for the authority's housing revenue account. These forecasts reflect updated budget information provided by the council for its existing housing stock and services, plus its delivery plans.

1.2. Alongside the Baseline scenario we have explored the effects of extending the new build programme so that it delivers 1,000 units over the planning period. We have also provided a commentary on the effects of substantial additional spending pressures, such as the potential for a requirement to retrofit homes to a zero carbon standard.

1.3. The updated Baseline we have projected for the HRA shows the authority to be in a strong starting position. It is able to deliver a substantial medium term programme of new build schemes, using a combination of the available resources plus external borrowing, and repay most of the additional debt required by the end of the forecast period. Throughout the Baseline forecast the HRA is able to operate well within its means, with further headroom available should it need to respond to unexpected changes in circumstances. The authority's ability to deliver 1,000 new units within 30 years is also reasonable, though debt levels start to rise at the end of the forecast and so the authority should consider taking appropriate mitigating actions.

1.4. The introduction of substantial additional spending pressures (such as the delivery of a zero carbon retrofit programme) has the potential to present a more challenging situation. If such pressures are not accompanied by additional resources or compensating cost reductions there is potential for the HRA to be left with little or no "wriggle room". Under these circumstances the authority might need to reconsider and scale back its aspirations for delivering a long term development programme.

1.4.1. Sensitivity analysis shows that the HRA forecasts are very sensitive to changes in the levels of income generated and costs incurred. Relatively small changes in these assumptions can have a substantial long term impact on the financial capacity of the HRA. We therefore recommend that the authority routinely seeks to optimise income and minimise costs as part of its approach to maximising the long term financial capacity of the HRA.

2 | Methodology

2.1. We have prepared an updated set of Baseline 30 year HRA forecasts, using revised budgets provided by council officers and the Housing Finance Associates HRA business plan model.

2.2. In addition to the updated Baseline we have prepared a scenario that extends the new build programme to deliver 1,000 units over 30 years, in line with stated Council policy.

2.3. We have considered the impact of the Baseline and scenario on the following measures, when assessing its impact on affordability and financial sustainability:

- The minimum balance maintained by the HRA
- The level of the HRA capital financing requirement (HRA CFR), which measures HRA-related debt
- The ability to generate net income that is 125% or more of the cost of interest paid on HRA debt (interest cover). This measure is widely used by housing associations, and indicates the ability to pay for debt-related costs
- HRA debt as a proportion of HRA asset values (gearing)
- Unused borrowing capacity available to the authority (headroom)
- The ability to repay or reduce HRA debt

2.4. To provide further context we have also conducted a series of sensitivity tests on the updated Baseline position. These tests project the impact of:

- Keeping rents at 2020/21 levels in 2021/22 (a one year rent freeze)
- Interest rates on new loans increase by 1% (cost of borrowing rises)
- Costs increase by ½% more than expected from 2022/23 until 2026/27 (cost increases)

3 | Key assumptions

3.1. Source documents

3.1.1. The updated forecasts have been prepared with a 2020/21 price base using the following information:

- The revised 2020/21 HRA revenue budget and proposed budget for 2021/22 prepared for presentation to the Council in February 2021.
- A 10 year capital programme, provided by council officers
- The development programme, provided by council officers and reflected in the 10 year capital programme.
- Long term stock condition investment requirements, provided by council officers, which we have supplemented with a contingency of £2.000m pa from 2031/32. This contingency allows for potential weaknesses in the underlying stock condition data, which we understand is due to be refreshed.
- Inflation projections that reflect the statistics published in October 2020 by the Office for National Statistics (September Consumer Prices Index - CPI) and HM Land Registry (August House Price Index).
- Provision for a 1.5% rent increase in April 2021. This is the maximum rent increase permitted under the Rent Standard and reflects CPI +1%.

3.2. Development programme

3.2.1. The focus of the Baseline development programme has been narrowed so that it covers the provision of committed and likely schemes over the first 10 years of the forecast. As a result it excludes:

- The £1.900m provisional scheme at Oake
- Aspirations to provide any additional units

3.3. Capital financing and use of resources

3.3.1. We have modified the authority's approach to financing its capital programme to allow for the application of multiple resource streams, as follows:

- Major repairs reserve
- Hinckley Point C Fund
- Capital Grant
- S106 funding
- Retained 141 RTB receipts
- Revenue contributions
- Borrowing

3.3.2. Borrowing is the last resource stream that is available to finance the capital programme, and is only available for as long as the HRA is able to provide interest cover of at least 125%. If the authority is unable to provide this minimum level of interest cover, any unfinanced capital programme is automatically rescheduled to a later year with available headroom.

3.3.3. The revised forecasts allow for the authority to utilise HRA resources to help keep the use of borrowing to a minimum. The key assumptions here are

- Allowable Debt and LA Share receipts arising from right to buy sales are all set aside for debt repayment until all debts have been covered, and are then available to finance the HRA capital programme
- Any balance on the major repairs reserve is available to repay debt, as required
- Revenue balances above a minimum level of £2.000m (plus inflation) are available for debt repayment, as required

3.4. Debt and interest rates

3.4.1. Existing HRA-related loans are repaid using the available resources at their due date. If there are insufficient resources to repay a loan in full, the balance is refinanced with a new replacement loan.

3.4.2. The HRA attempts to repay any new loans as quickly as possible, whether the new loans are required to finance the capital programme or refinance existing debt. This allows the forecast to provide a clearer indication of the affordability of the authority's spending plans. This assumption is not intended to replace the financing decisions that the authority's Finance team will take (with appropriate treasury advice) when any borrowing is undertaken.

3.4.3. The interest rate assumed for new loans is 2.0% until 2024/25, rising to 2.5% from 2025/26.

3.5. Rents

3.5.1. Rents rise each April in line with the maximum level permitted by the Rent Standard, which is currently set at CPI+1% (based on CPI in September the previous September). We have assumed that CPI +1% rent increases will continue until 2024/25, which coincides with the end of the Government's stated five year policy. From 2025/26 the forecasts assume that rent increases reflect CPI.

3.5.2. Existing properties are re-let at their formula rent, with an allowance for rent flexibility (as permitted under the Rent Standard). Rent flexibility for general needs properties is set at 5% above the formula rent, and for supported housing (i.e. sheltered and extra care) and additional 10% above the formula rent is allowed for rent flexibility. The re-let rate for existing homes is 7% for general needs and 10% for supported housing.

3.5.3. Rent loss as a result of voids reflects the budget for 2020/21 and 2021/22, and has then been assumed at 2% of gross rental income.

3.6. Stock movements

3.6.1. Right to buy sales are forecast to occur evenly throughout each year, as follows:

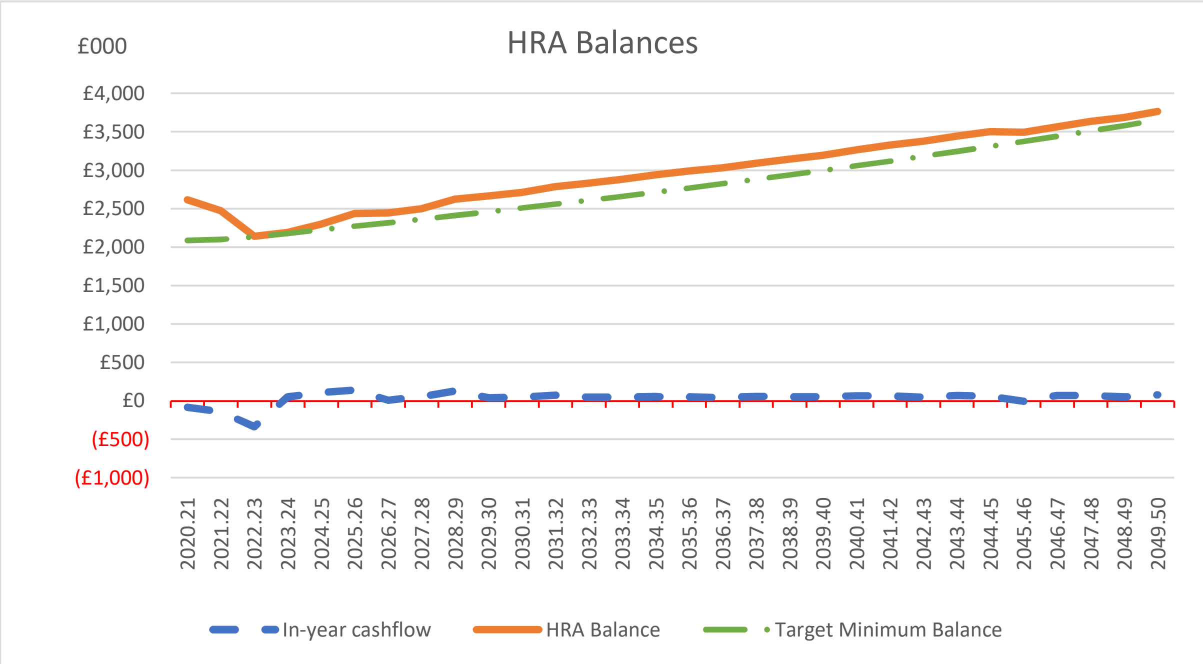
- 40 sales in 2020/21 and 2021/22
- 32 sales in 2022/23
- 28 sales in 2023/24
- 24 sales in 2024/25
- 20 sales a year from 2025/26 until 2027/28
- 18 sales a year from 2028/29 until 2030/31
- Thereafter reducing by 1 sale a year every three years

3.6.2. A total of 83 units marked for regeneration on the North Taunton Estate are currently in use, the remainder having already been vacated. The forecast removes these units from management in line with the profile provided by council officers.

4 | Baseline

4.1. Baseline – revenue position

4.1.1. The housing revenue account maintains a minimum balance of around £2.000m (plus inflation), as indicated below:

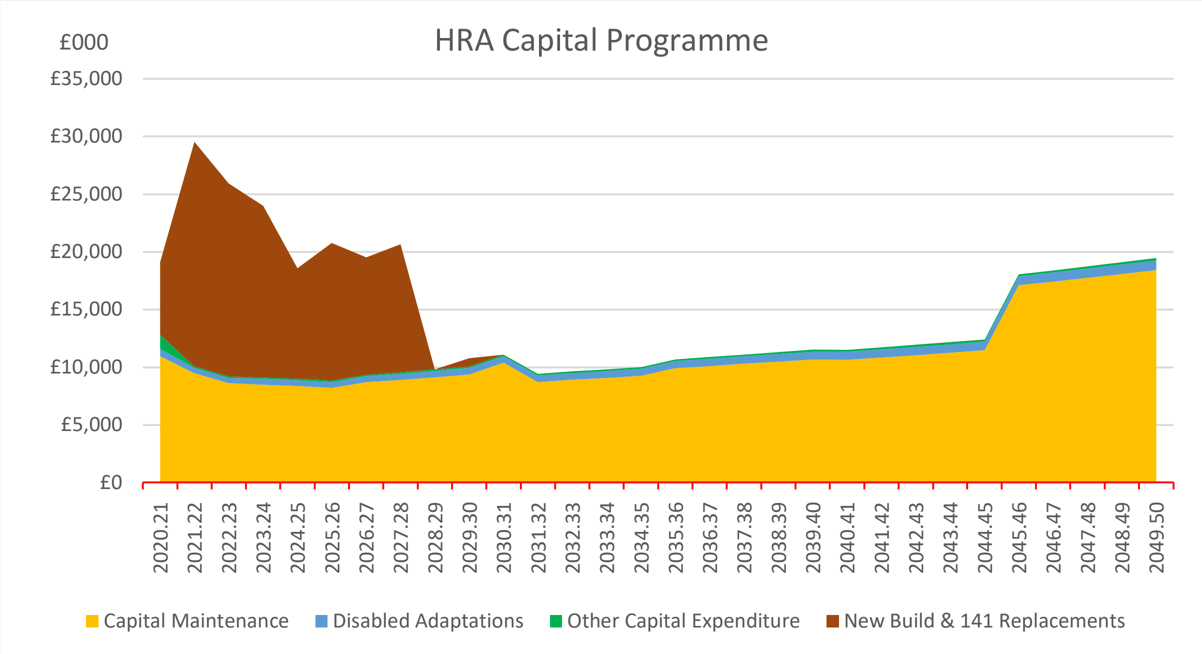


4.1.2. In this chart the orange line forecasts the accumulated balance at the end of each year and the blue line shows the in-year use or generation of balances.

4.1.3. The authority maintains the HRA Balance at the minimum level throughout the forecast. During this period any “excess” rents generated are made available to repay debt.

4.2. Baseline – capital programme

4.2.1. The next chart represents the Authority’s Baseline ability to deliver its HRA capital programme within the available resources. This chart shows the capital expenditure required each year, identifying the main types of expenditure separately:

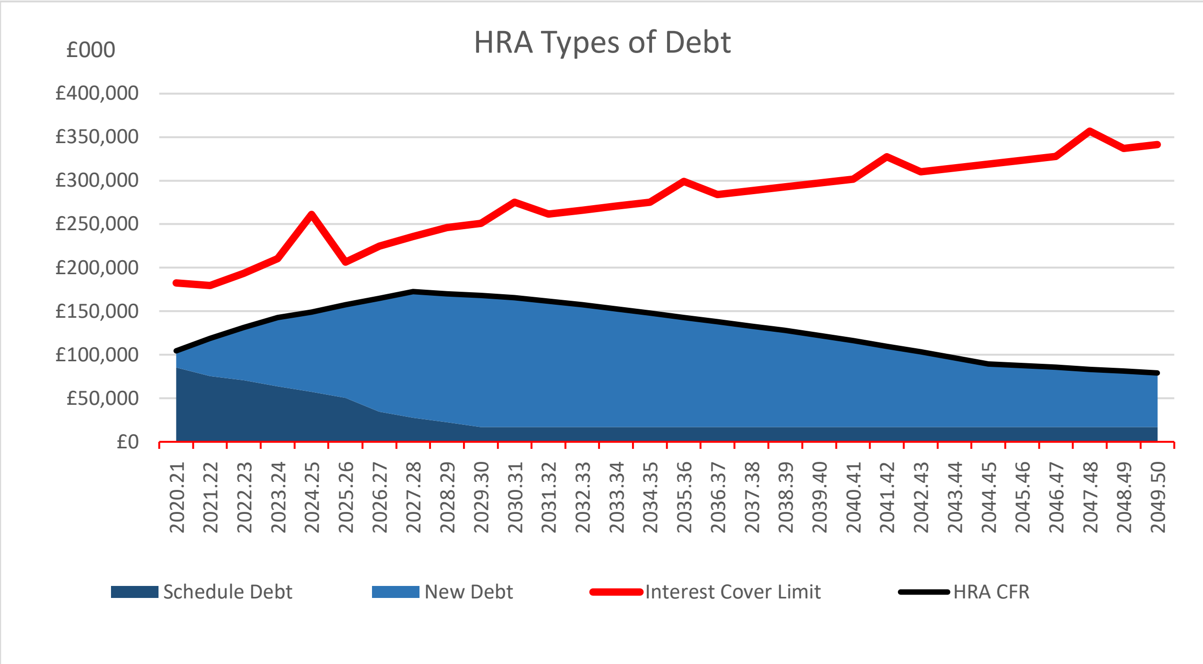


4.2.2. The baseline allows for new build and stock purchase projects that produce 374 new properties by 2027/28 (brown area), while continuing to maintain the existing stock (amber area). The investment requirement for the existing stock steps up significantly in the last five years of the forecast as a result of component replacements that are expected to become due.

4.2.3. The Authority can finance the capital programme fully from the resources that are at its disposal, with use of additional borrowing.

4.3. Baseline – debt

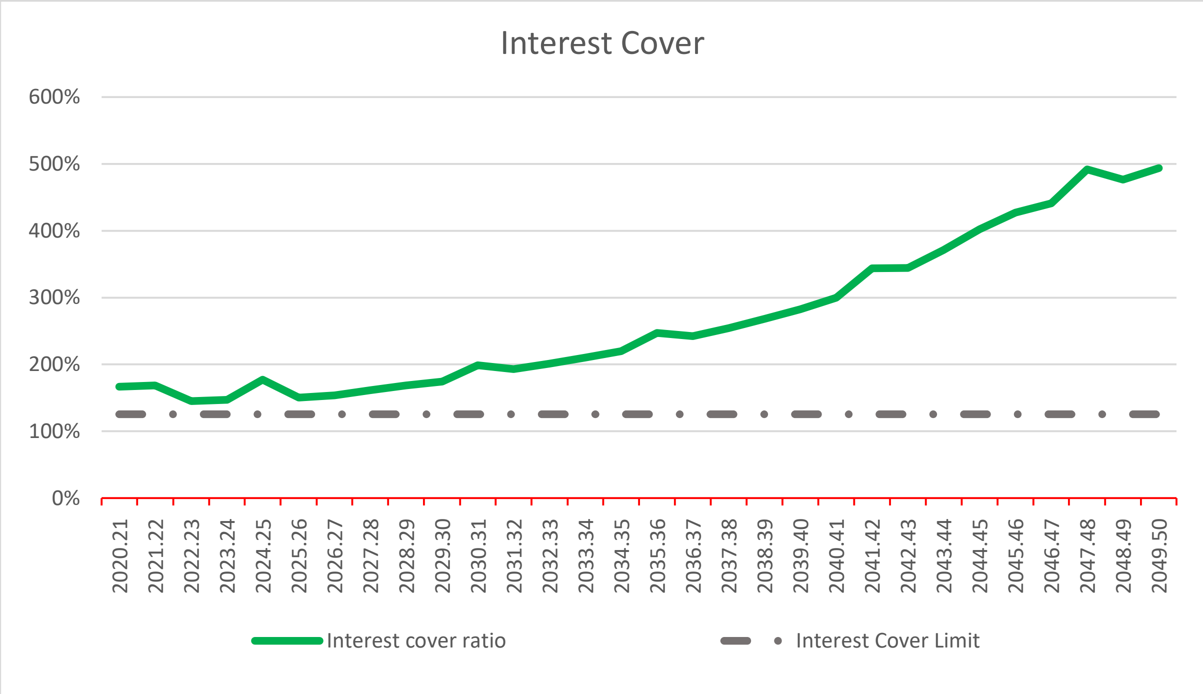
4.3.1. The next chart forecasts movements in the level of HRA debt (black line) during the planning period:



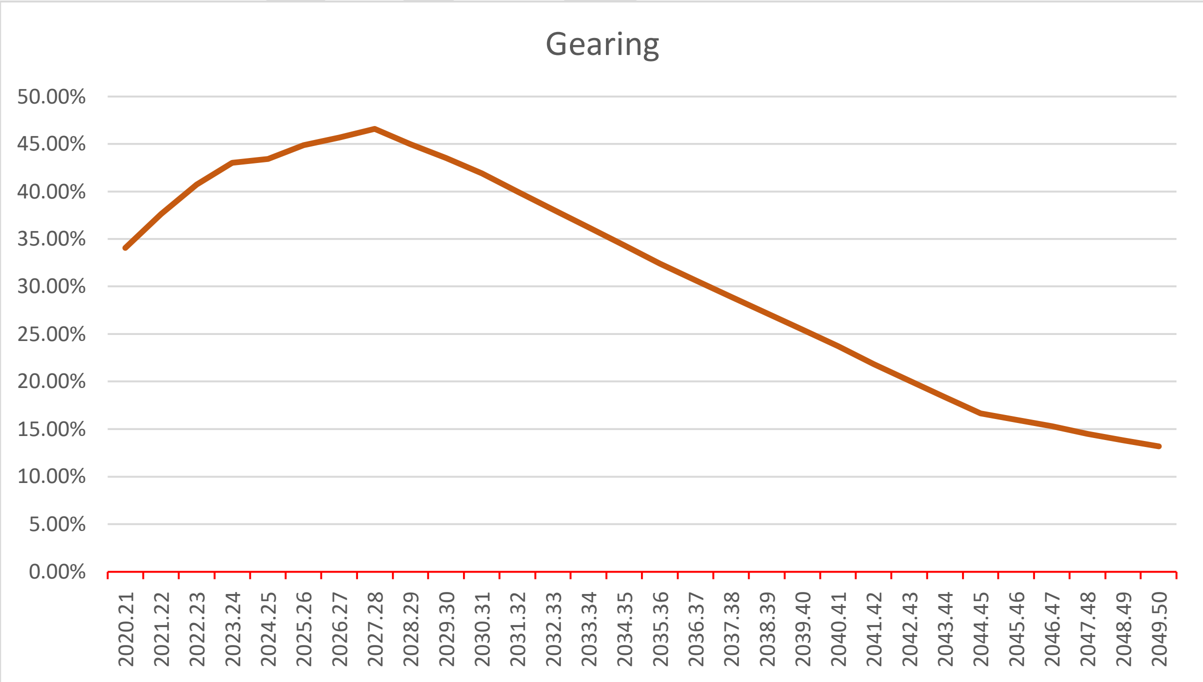
4.3.2. The dark blue area in this chart relates to existing loans. We have assumed that these loans will be repaid in line with the existing debt schedule, if the authority can afford to do so. The mid-blue area shows additional loans that the authority needs to undertake to pay for the capital programme or to refinance any loans that it cannot repay at their due date.

4.3.3. Peak debt of £172.633m is reached in 2027/28, after which the authority starts to reduce its HRA-related borrowing. Revenues are strong enough for the authority to repay most of its debt, with residual loans of £79.216m outstanding by the end of the period. It is noticeable that the rate of repayment slows over the last five years of the forecast, which coincides with an increase in the stock investment required.

4.3.4. The authority remains within any limit on HRA debt set by a minimum interest cover requirement of 125% (red line). The chart below provides further details and shows how the situation improves during the course of the forecast:



4.3.5. Gearing is a separate measure shows how much of the value of HRA assets is being used to cover HRA-related debt. The council has no local “rule” for the optimal gearing level. It is shown here because it indicates the level of HRA indebtedness, compared to the value of its housing assets. The Baseline shows peak gearing of 46.62% in 2027/28, reducing to 13.20% by the end of the forecast, as shown below:

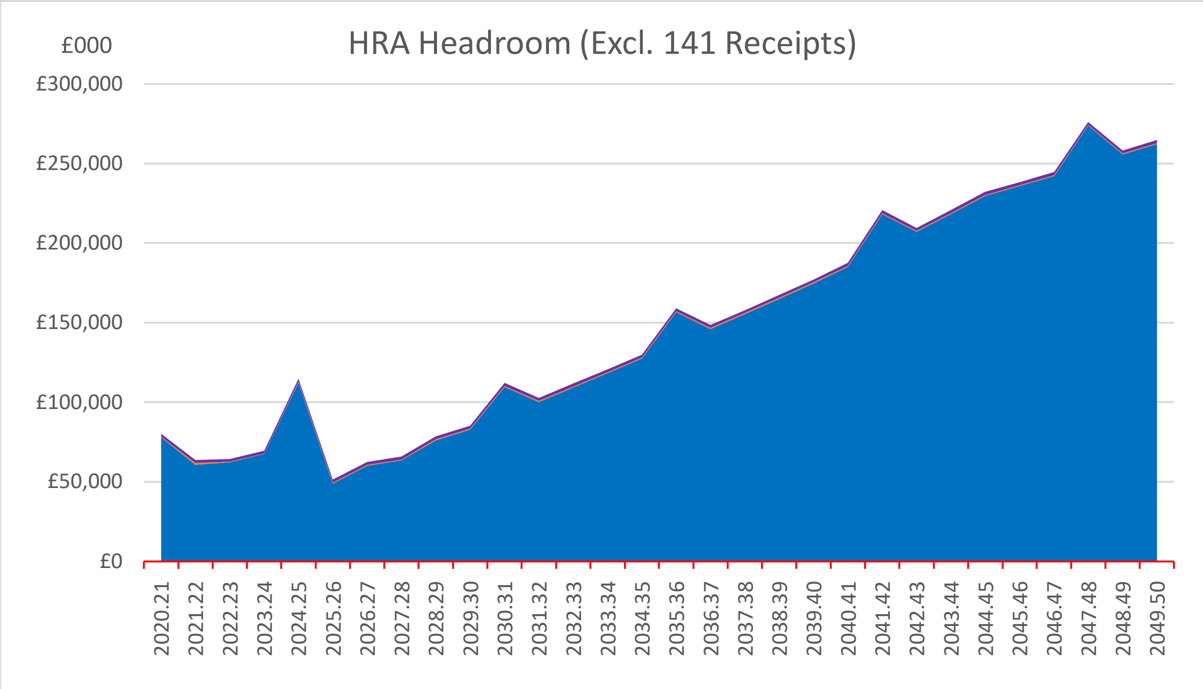


4.3.6. This is broadly equivalent to an owner occupier having a mortgage that comes to 46.62% of the value of their home.

4.3.7. The Baseline position generates sufficient resources for the Authority to be able to repay any additional debt required to deliver the capital programme within a comfortable timeframe, while remaining above the limit set for providing interest cover and maintaining a good level of gearing. This represents an affordable and sustainable situation.

4.4. Baseline – headroom

4.4.1. Financial headroom available to the authority fluctuates during the course of the forecasts, as indicated by the chart below:



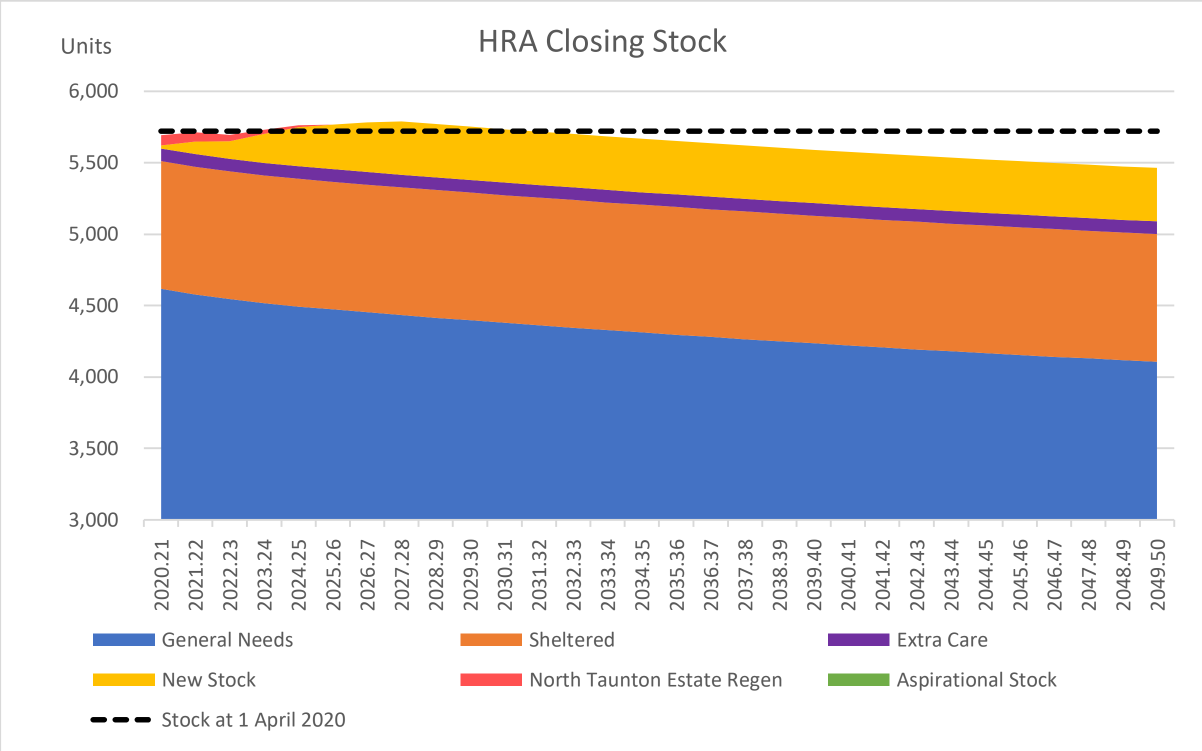
4.4.2. The blue area in this chart represents the gap between the HRA CFR (HRA-related debt) and the interest cover limit shown on the debt chart. Other resources that are generated by the HRA are fully utilised.

4.4.3. At its lowest point the headroom chart shows the additional borrowing that the HRA could draw upon, if necessary, without exceeding its locally set interest cover limit. This borrowing headroom is £48.882m in 2025/26. The reduction in headroom that occurs in that year coincides with an increase in the interest rate assumed for new borrowing (which reduces interest cover performance), and comes two years before the end of the development programme. There are occasional peaks in the projected headroom for an individual year, which coincide with years where there are 53 rent weeks. In these years the Authority generates slightly more rental income, which causes a small blip in its interest cover performance.

4.4.4. The Baseline leaves the authority with a reasonable level of spare borrowing capacity, which would be available for use in response to emerging circumstances.

4.5. Baseline – stock

4.5.1. The final chart shows the movement in stock numbers, taking into account the expected new units and the effects of continuing RTB sales:



4.5.2. This chart projects an initial period of growth in stock numbers, while the programme is delivered, reaching a peak of 5,834 units at the end of 2027/28. From 2028/29 the number of homes declines each year from continuing right to buy sales, with the number of dwellings staying at or above current levels (shown by the black dashed line) until 2033/34. By the end of the 30 year forecast the stock drops to 5,515 units.

4.6. Baseline – summary

4.6.1. The baseline presents a comfortable starting position, in which the authority is able to deliver a substantial medium term development programme, while maintaining its existing stock and repaying any debt required to finance the capital programme.

4.6.2. There may be scope for the authority to improve on this position by adopting an active approach to managing its costs, while optimising its potential for generating income.

5 | Delivery of 1,000 units

5.1. Delivery of 1,000 units – assumptions

5.1.1. This scenario allows for extension of the programme for delivering new units so that 1,000 additional homes are provided over 30 years.

5.1.2. The units have been added in line with details provided by council officers. They include the existing £1.900m provisional scheme at Oake, plus an allowance for further notional projects. The additional new projects are delivered between 2024/25 and 2049/50.

5.1.3. The Delivery of £1,000 Units scenario adds a further 626 units to those delivered under the Baseline. Of these, 169 would be let at social rent with the remaining 457 at an affordable rent.

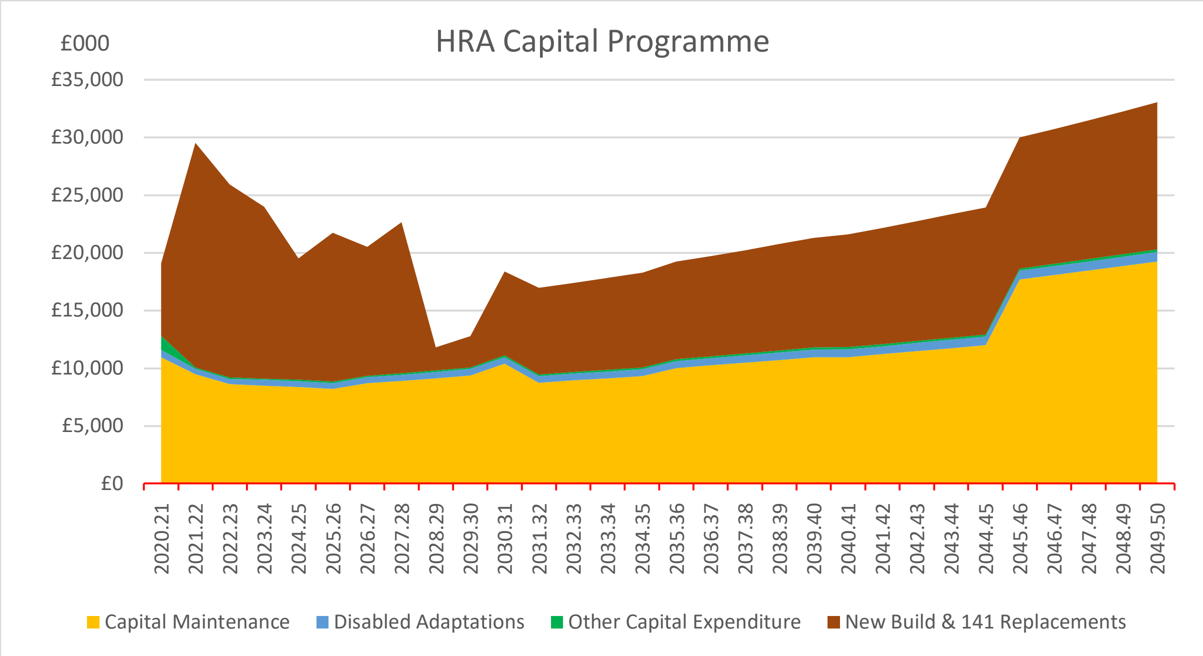
5.1.4. All other assumptions remain as for the Baseline position.

5.2. Delivery of 1,000 units – revenue position

5.2.1. The revenue position under this scenario does not change substantially from the Baseline. The HRA maintains the minimum level of balances and uses any sums above that level to repay debt or finance the capital programme.

5.3. Delivery of 1,000 units – capital programme

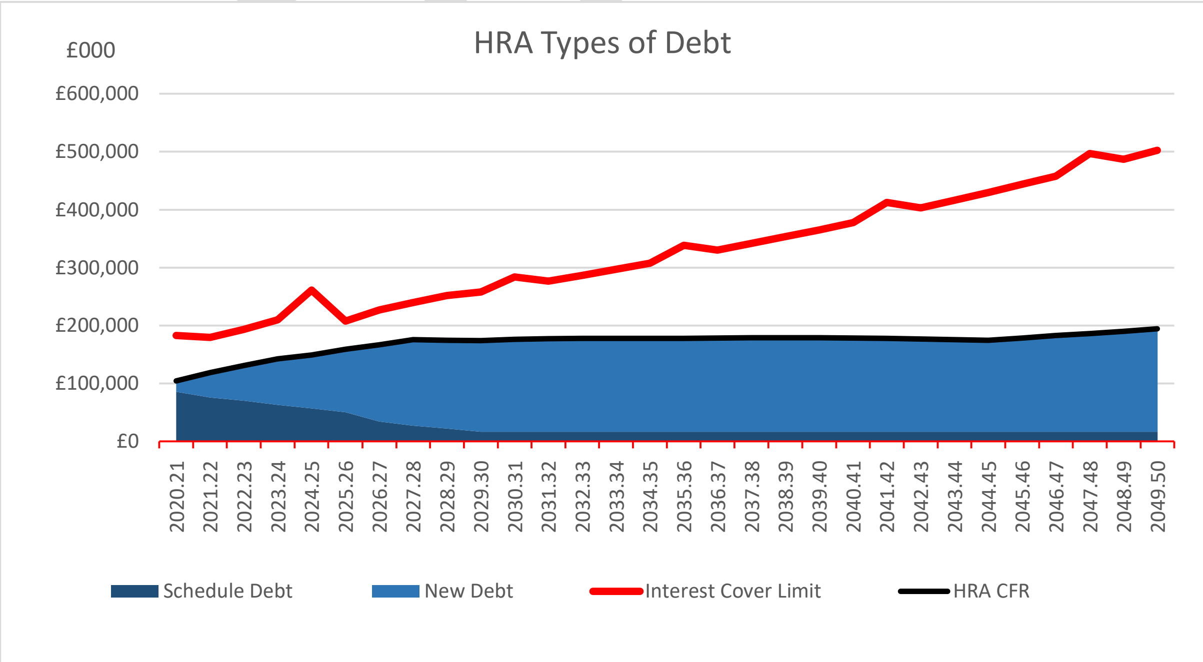
5.3.1. Extending the programme of adding new units through new build and acquisition schemes increases the scale of the capital programme throughout the period, as reflected in the chart below:



5.3.2. This scenario adds to the expenditure on New Build and 141 Replacements, which is shown by the brown area.

5.4. Delivery of 1,000 units – debt and headroom

5.4.1. Peak debt rises to £194.402m in 2049/50, as shown below:



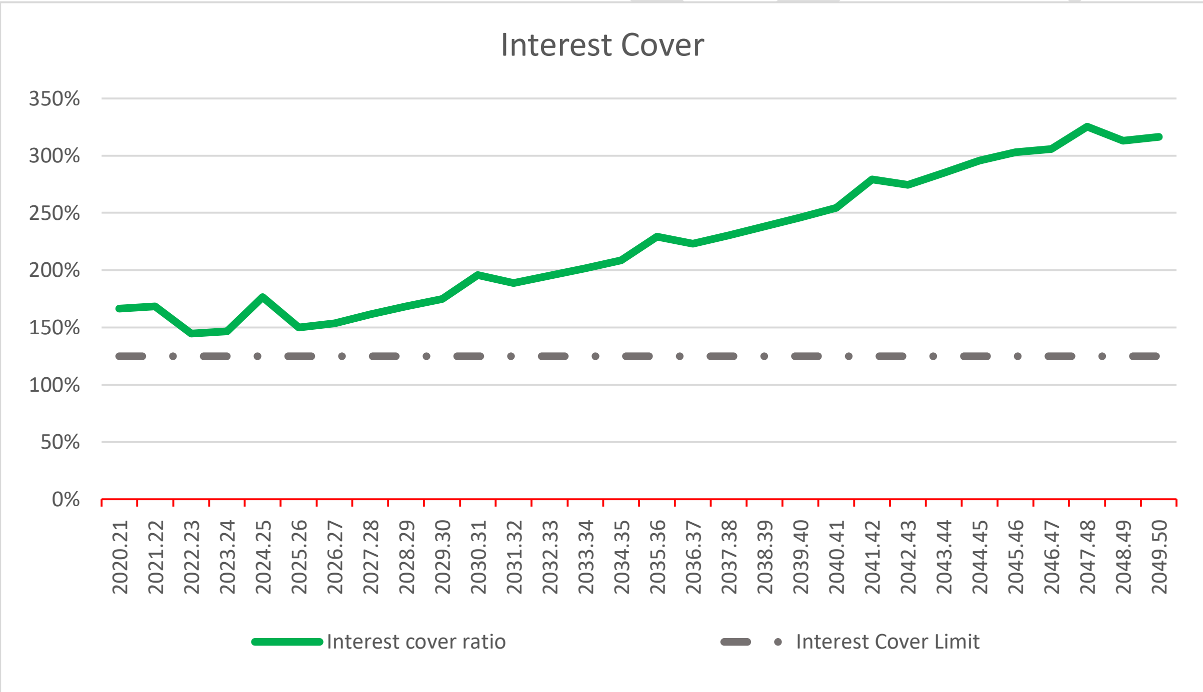
5.4.2. The authority reaches an initial debt peak of £175.883m in 2027/28, which coincides with the end of the initial phase of development. It broadly maintains debt at around this level until 2045/46. The requirement for additional investment in the stock then forces the authority to take out additional loans, bringing debt up to its peak level of £194.402m by the end of the 30 year forecast. This remains above the £107.982m in HRA-related debt that was held at the start of 2020/21.

5.4.3. Borrowing headroom reduces slightly to £48.720m in 2025/26. This leaves the HRA with a reasonable level of spare capacity for responding to most emerging risks and pressures.

5.5. Delivery of 1,000 units – affordability

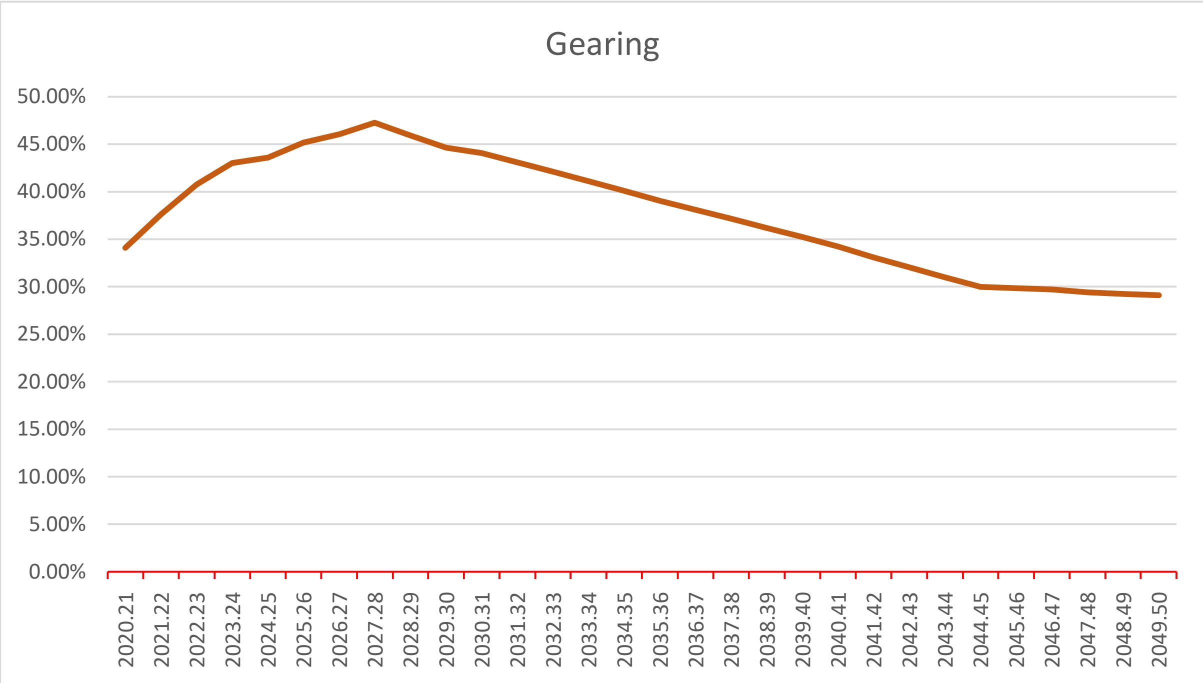
5.5.1. Under this scenario the authority depends much more on borrowing to deliver the new homes required. While this generates additional rental income, it takes the authority longer to reduce its overall debt.

5.5.2. The higher debt levels mean that interest cover takes longer to rise significantly above the 125% minimum level for the first part of the plan:



5.5.3. The level of interest cover provided is lower than under the Baseline, but follows a reassuring trajectory.

5.5.4. By increasing the number of units during the forecast the value of assets that the authority owns also increases. This has the following effect on gearing:



5.5.5. Gearing peaks at 47.27% in 2027/28, reducing to 29.09% at the end of 2049/50. At its peak level the "mortgage" per property is slightly higher than the forecast suggested for the Baseline. By the end of the forecast the figure is substantially higher than under the baseline, due to the authority's continued reliance on debt finance to deliver the 1,000 unit programme and stock investment.

5.6. Delivery of 1,000 units – summary

5.6.1. Under this scenario there is a significant long term rise in the number of units produced, which requires the authority to rely more heavily on borrowing to deliver its plans. However, as the new units produced generate additional rental income for the HRA, the authority is able to keep its overall level of borrowing within manageable levels. The slight increase in borrowing at the end of the forecast is an area of potential concern, for which the authority may need to consider taking mitigating action.

5.6.2. The Delivery of 1,000 Units scenario leaves the authority with a reasonable level of financial "wriggle room", but it reduces the capacity of the HRA to use borrowing to respond to a significant expenditure pressure that competes with the delivery of new homes, or to any potential unforeseen shocks.

5.6.3. Under this scenario the authority should remain flexible in its approach, so that it is able to adjust its spending plans in response to changes in circumstances. It should also explore options for making additional resources available, while maximising income and bearing down on its operational costs.

6 | Impact of additional spending pressures

6.1. Context

6.1.1. There is potential for the authority to incur substantial additional costs to cover further expenditure pressures, such as retrofit works to both the existing stock and some new units as part of delivering a carbon neutral housing stock.

6.1.2. While the updated Baseline contains an additional contingency for works to the housing stock from 2031/32, this is unlikely to be sufficient to cover the cost of a substantial pressure, such as retrofitting all homes to a zero carbon standard.

6.2. Potential impact of additional pressures

6.2.1. Any additional pressures that cause the scale of investment required to increase significantly would mean that the authority quickly utilises all the headroom identified under the updated Baseline. This could reduce the available headroom to zero, leaving the authority with much less “wriggle room” and much higher debt levels.

6.2.2. It is therefore possible that the requirement to meet substantial new pressures could reduce the capacity of the HRA for delivering additional homes after the medium term programme included in the Baseline, as well as its ability to respond to other emerging risks and situations. As a result, if the authority needs to respond to other pressure it may also need to adjust its aspirations for continuing to provide more new homes over the long term, unless the HRA is able to access substantial additional resources or find compensating cost reductions.

7 | Sensitivity testing

7.1. Approach to sensitivity testing

7.1.1. We have conducted a series of tests that show the effects of a one year rent freeze, and increase in the cost of new borrowing and general increases in cost. This allows the authority to consider the potential effects of changing circumstances and helps to illustrate the consequences of different actions.

7.1.2. For each sensitivity we have assessed their impact against the following key metrics:

- Peak debt (amount and year)
- Debt at the end of the forecast
- Borrowing headroom (amount and year)

7.1.3. Taken together, these metrics help to show how each sensitivity impacts on the affordability of the authority's updated Baseline. The table below summarises the effects of each sensitivity on these key metrics:

Scenario/ Sensitivity	Peak debt		Terminal debt		Minimum headroom	
	Year	£000	Year	£000	Year	£000
Baseline	2027.28	£172,633	2049.50	£79,216	2025.26	£48,882
Rent Freeze	2027.28	£174,458	2049.50	£87,338	2025.26	£38,778
Cost of Borrowing Rises	2029.30	£178,017	2049.50	£130,825	2025.26	£0
Cost Increases	2027.28	£174,988	2049.50	£104,350	2025.26	£33,923

7.1.4. The paragraphs below describe the causes of these effects.

7.2. One year rent freeze

7.2.1. Freezing rents at 2020/21 levels for 2021/22 reduces the rental income generated in 2020/21, compared with the Baseline projections. However, since rent increases in are based on rents in the previous year, any rent freeze then has an ongoing impact on the levels of income generated from existing tenancies in both the year of the rent freeze and in future years.

7.2.2. As a consequence of freezing rents the authority is less able to repay debt, and so it has to borrow more for a longer period. This means that peak debt goes up by £1.825m and debt at the end of the forecast increases by £8.122m.

7.2.3. If the authority generates lower levels of income it also has less money available to provide interest cover for its loans. This means that the amount of borrowing it can afford also drops, and so we see the authority's borrowing headroom reduce by £10.104m. This represents a substantial reduction in the financial "wriggle room" that the authority can access when responding to emerging risks and opportunities.

7.3. Cost of borrowing rises

7.3.1. Of the three sensitivities, a 1% increase in the cost of new borrowing has the most significant impact. The high level of borrowing required by the authority to deliver its Baseline capital programme means that any rise in borrowing costs requires any new loans to be repaid over a longer period.

7.3.2. This causes the authority to use more of its rent income to pay for the higher interest charges and so there is less available to repay debt. As a result the HRA has to borrow more for a longer period. Compared with the Baseline, peak debt is reached two years later (in 2029/30) and goes up by £5.384m. Debt at the end of the forecast is substantially higher, increasing by £51.609m.

7.3.3. If the authority incurs higher borrowing costs this reduces the level of interest cover, and so the amount of borrowing it can afford also drops. Under this sensitivity the authority uses up all its borrowing headroom by 2022/23. This would require it to take compensating action to ensure that borrowing levels remain within the limits set.

7.4. Cost increases

7.4.1. Allowing for costs to rise by an additional ½% a year for five years also has a strong negative impact on the health of the HRA. Under this sensitivity the authority generates the same level of rent as under the Baseline, but pays more to deliver services, investment and new homes.

7.4.2. This means that the HRA has less income available to repay debt and so borrows for a longer period. The cost increases we have modelled also increase the cost base for subsequent years, and have a greater impact as the forecast progresses. Peak debt is £2.354m higher than under the Baseline in 2027/28, and debt retained after 30 years is £25.134m higher.

7.4.3. Headroom also reduces, and is £14.959m lower than the Baseline in 2025/26.

7.5. Summary

7.5.1. As we have shown, the HRA forecasts are very sensitive to changes in the levels of income generated and costs incurred. Relatively small changes in these assumptions can have a substantial long term impact on the financial capacity of the HRA.

7.5.2. We recommend that the authority routinely seeks to optimise income and minimise costs as part of its approach to maximising the long term financial capacity of the HRA.

APPENDIX B

HRA Revenue Budget for 2021/22 and Medium Term Financial Plan

	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
	£000	£000	£000	£000	£000	£000
Income						
Dwelling Rents	- 24,225	- 24,951	- 25,682	- 26,533	- 28,315	- 28,712
Non Dwelling Rents	- 719	- 704	- 713	- 724	- 737	- 748
Service Charges	- 1,457	- 1,623	- 1,661	- 1,702	- 1,750	- 1,794
Other Income	- 371	- 389	- 396	- 404	- 413	- 422
Total Income	**- 26,773**	**- 27,668**	**- 28,452**	**- 29,364**	**- 31,215**	**- 31,676**
Expenditure						
Repairs and Maintenance	5,901	6,795	6,917	7,055	7,218	7,387
Supervision and Management	3,905	3,731	3,817	3,912	4,022	4,122
Rents, Rates, Taxes and Other Charges	311	305	311	317	324	331
Special Services	1,058	1,058	1,083	1,110	1,141	1,169
Bad Debt Provision	180	180	180	180	180	180
Contribution to CDC	229	229	233	238	243	248
Transfer to GF	3,622	3,216	3,274	3,340	3,416	3,485
Total Expenditure	**15,206**	**15,515**	**15,815**	**16,152**	**16,544**	**16,922**
Other Expenditure						
Depreciation - dwellings	6,511	7,342	7,474	7,624	7,799	7,955
Depreciation - non dwellings	490	321	327	333	341	348
Interest Payable	2,745	2,669	3,343	3,580	3,690	4,294
Investment Income	-	-	-	-	-	-
Provision for Repayment of Debt	1,821	1,821	1,821	1,624	2,733	2,018
Revenue Contribution to Capital	-	-	-	-	-	-
Movement in Reserves						
Total Other	**11,566**	**12,153**	**12,965**	**13,161**	**14,564**	**14,615**
Total - (surplus) / deficit	**-**	**-**	**328**	**- 51**	**- 107**	**- 138**

APPENDIX C

HRA 10-Year Capital Programme from 2021/22

HRA Capital Investment (£'000)										
Capital Investment	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2031/32**
Major Works	8,884	8,116	7,987	7,785	7,573	7,573	7,573	7,573	7,573	7,573
Fire Safety	202	190	170	155	145	145	145	145	145	145
Related Assets	100	100	65	47	35	35	35	35	35	35
Exceptional & Extensive	294	159	144	124	89	89	89	89	89	89
Vehicles	121	121	121	121	121	121	121	121	121	121
IT Programme	-	-	-	-	-	-	-	-	-	-
Aids & Adaptations & DFGs	370	370	370	370	370	370	370	370	370	370
Social Housing Development	22,763	27,276	11,280	9,038	11,040	10,040	11,410	-	870	-
Total Investment	**32,733**	**36,332**	**20,137**	**17,640**	**19,373**	**18,373**	**19,743**	**8,333**	**9,203**	**8,333**

Funding	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2031/32**
Major Repairs Reserve	7,342	7,642	7,942	8,242	8,542	8,842	9,142	8,333	9,124	8,333
Revenue (RCCO)	528	-	-	-	-	-	-	-	-	-
Capital (RTB) Receipts	5,580	6,240	1,076	1,002	1,095	864	1,031	-	79	-
Capital (Non-RTB) Receipts	1,356	-	-	-	-	-	-	-	-	-
Capital Grants Receipts	244	-	-	-	-	-	-	-	-	-
Borrowing	17,684	22,449	11,118	8,395	9,736	8,667	9,570	-	-	-
Total Funding	**32,733**	**36,332**	**20,137**	**17,640**	**19,373**	**18,373**	**19,743**	**8,333**	**9,203**	**8,333**

Appendix D - HRA Equality Impact Assessment

Somerset Equality Impact Assessment

Organisation prepared for	Somerset West and Taunton Council		
Version	1	Date Completed	January 2021
Description of what is being impact assessed			

Somerset West and Taunton Council (SWT) Housing Revenue Account (HRA) updated (2021) 30 year Business Plan

The strategic objectives of the business plan are to: Deliver more new homes; Provide great customer service; and Improve existing homes and neighbourhood.

HRA budget setting 2021/22

The HRA budget setting report enables the council to set a balanced budget for 2021/22 that reflects SWT's HRA business plan and takes into account councillor's priorities. The report provides an overview of the finances for the HRA. It covers both HRA revenue and housing capital spending, highlighting the inter-relationships between the two.

Council housing rents for 2021/2022

To increase council housing rents to ensure continued investment in the management, maintenance and development of council housing stock to ensure the needs of existing and potential tenants are met, and to provide enhanced support for families and communities experiencing hardship.

HRA fees and charges for 2021/2022

To increase the fees and charges for 2021/2022 for the HRA to ensure sufficient financial resources are in place to deliver the services.

Evidence

What data/information have you used to assess how this policy/service might impact on protected groups? Sources such as the Office of National Statistics, Somerset Intelligence Partnership, Somerset's Joint Strategic Needs Analysis (JSNA), Staff and/ or area profiles,, should be detailed here

Data:

- Major changes in national rent policy 2019/20;
- Somerset West and Taunton's Full Council decision on council housing rent policy - February 2021; and
- Tenant profiling data.

Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?

Engagement:

- Consultation and regular meetings with the SWT's Tenants' Strategic Board - January 2021;
- As part of our consultation on the proposed changes the Council contacted the following groups, who were identified as having an interest in the proposals for change:

- Compass Disability Services, Taunton (Disability);
- Age UK, Somerset (Age);
- Mind in Somerset, Taunton (Disability);
- Diversity Voice, Somerset (All);
- Moving Together in Somerset (Age);
- RAISE, Somerset (Race);
- Stand Against Racism and Inequality, Somerset (Race); and
- Caring Minds CIC, Taunton (Carers) – December 2020.

In summary the groups were invited to provide comment and feedback on the following:

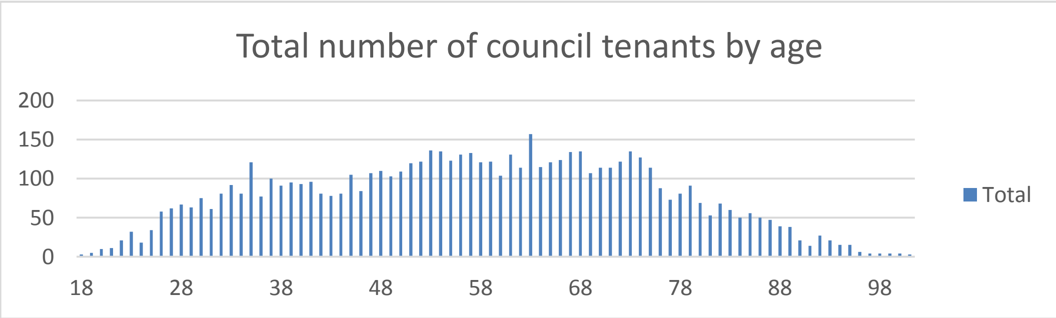
- More council homes to be built to zero carbon standards;
- Additional investment in safety (for example fire safety and electrical safety) works to ensure we meet relevant standards, regulatory requirements, inspection and testing;
- Consumer Price Index (at September 2020) + 1% increase in council housing rent; and
- Consumer Price Index (at September 2020) + 1% increase in council housing fees and charges (for example the grounds maintenance charge).

Specific questions requiring a response:

1. Any indication or evidence that any part of the proposed changes could discriminate, directly or indirectly?

2. Any potential for the proposed changes to adversely affect equality of opportunity for all?

Analysis of impact on protected groups				
The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.				
Protected group	**Summary of impact**	**Negative outcome**	**Neutral outcome**	**Positive outcome**
Summary	Every year the housing service reviews rents and service charges as well as sets the budgets that apply to the housing and garage stock. This takes into account inflation and any other financial factors in order to ensure there is enough income to deliver services. When doing so, the housing service must observe government legislation and guidance. Increasing rent and service charges and setting budgets by the amounts specified in the report will have a neutral effect on protected groups. The cost rise to tenants itself is a relatively modest one. The housing service has an ambitious new build social development programme to add zero carbon homes to its housing stock. This will require significant investment and the need to use rental income to fund interest payments on borrowing and the repayment of debt. Rental income will finance the continued investment in maintaining our existing homes, other assets and neighbourhoods to a high standard with a comprehensive planned programme of expenditure, adaptions and routine repairs in place. The rental income will also enable the housing service to continue providing and improve upon the strong community support offered to tenants providing them with additional support to sustain individual tenancies as well		✓	

	as investing in a range of community based projects and groups. It could be argued that a group such as those with a disability will tend to have a lower average income than non-disabled people and therefore will be disproportionally adversely affected by any rent and service charge rise. However people on low incomes will (if they fulfil the conditions) qualify for housing benefit or Universal Credit and will therefore be insulated from negative financial effects. It is understood that there may be an increase in the level of rent arrears as a result of the shift to Universal Credit, however that risk is being mitigated by the housing service working closely with Citizens Advice to provide advice and support services to Universal Credit claimants. The housing service also has a dedicated team of officers who provide early intervention to support tenants to sustain their tenancy and where necessary assist them to maximise their entitlement to welfare benefits. The HRA business plan makes provision for an amount of bad debt.			
Age	The graph below provides the number of council tenants by age:  		☑	

All tenants will benefit from the overall investment in council housing.

No group is discriminated against in the allocation of council housing (or in renting garages from the council). All groups benefit equally.

Additional housing supply will provide an increased choice of affordable housing type, size and tenure, providing housing options for all age groups.

Improvements in energy efficiency will help to protect tenants, whatever their age or the hardships they experience, from fuel poverty.

The table below provides information on the number of council tenants in receipt of housing benefit (HB) or universal credit (UC):

Benefit type	Count of tenancies
UC	1425
Self-funder	2095
HB	2057
Total	**5577**

Note: Self- funder = Not in receipt of housing benefit or universal credit. Approximately 62% of our existing tenants are in receipt of help with housing costs i.e. Housing Benefit or Universal Credit. The housing service provides additional specialised help to support all tenants into employment.

Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing.

Disability

The table below provides information (held within our Housing System – tenant profiling information) on the types and number of disabilities reported by council tenants:

Disability	Count of Disability
ALCOHOL RELATED PROBLEM	7
DEMENTIA	23
DISABLED	705
DISABLED HEARING IMPAIRMENT	214
DISABLED LEARN DIFFICULTY	65
DISABLED MENTAL HEALTH	350
DISABLED MOBILITY	671
DISABLED (OTHER)	1106
DISABLED VISUAL IMPAIRMENT	130
DRUG RELATED PROBLEM	2
DISABLED SPEECH IMPAIRMENT	7
MOBILITY SCOOTER	57
REGISTERED DISABLED	86
TERMINALLY ILL	1
UNABLE TO READ OR WRITE	4
VULNERABLE	187
WHEELCHAIR USER	59

As has been stated, it could be argued disabled adults are more likely to be living in low-income households than non-disabled adults. Additionally, disabled people are more likely to not be working, and where they are working, are more likely to be earning less than non-disabled people. It is evident therefore that an increase in rents is likely to specifically impact this protected characteristic. However, we believe that as the rises proposed are modest; that as the welfare benefit system should be able to protect people; and that as we can provide advice, help and support both

☑

<table>
<tr>
<td></td>
<td>from ourselves and through working with Citizens Advice, any impact will be low.

Tenants will benefit from the overall investment in council housing.

Specific provision for a range of new adapted properties will be made to provide a housing choice for those with a disability.

Eligible tenants will particularly benefit from the provision of disabled adaptations (major and minor) to existing council housing.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>The table below provides information on the number of council tenant/s by gender:

<table>
<tr><th>Gender</th><th>Total</th></tr>
<tr><td>FEMALE</td><td>3388</td></tr>
<tr><td>MALE</td><td>2037</td></tr>
<tr><td>NOT ANSWERED</td><td>6</td></tr>
<tr><td>NOT KNOWN</td><td>1008</td></tr>
<tr><td>Grand Total</td><td>6439</td></tr>
</table>

Note: Not known: Is where our records show that gender fields within our housing system have not been had the information entered.

Tenants will benefit from the overall investment in council housing.

There is not expected to be any particular negative impact on this specific group.</td>
<td></td>
<td></td>
<td>☑</td>
</tr>
</table>

<table>
<tr>
<td>Marriage and civil partnership</td>
<td>Tenants will benefit from the overall investment in council housing.

There is not expected to be any particular negative impact on this specific group.</td>
<td></td>
<td></td>
<td>☑</td>
</tr>
<tr>
<td>Pregnancy and maternity</td>
<td>Tenants will benefit from the overall investment in council housing.

Within the business plan there is potential for investment in better quality and additional family housing.

There is not expected to be any particular negative impact on this specific group.</td>
<td></td>
<td></td>
<td>☑</td>
</tr>
<tr>
<td>Race and ethnicity</td>
<td>The table below provides information on the number of council tenants by ethnicity:

<table>
<tr><th>Ethnicity</th><th>Count</th></tr>
<tr><td>ANY OTHER</td><td>1</td></tr>
<tr><td>ASIAN - BANGLADESHI</td><td>5</td></tr>
<tr><td>ASIAN - INDIAN</td><td>2</td></tr>
<tr><td>ASIAN BRITISH</td><td>5</td></tr>
<tr><td>ASIAN OTHER</td><td>15</td></tr>
<tr><td>BLACK AFRICAN</td><td>14</td></tr>
<tr><td>BLACK BRITISH</td><td>3</td></tr>
<tr><td>BLACK CARIBBEAN</td><td>6</td></tr>
<tr><td>BLACK OTHER</td><td>4</td></tr>
<tr><td>CHINESE</td><td>2</td></tr>
<tr><td>GYPSY</td><td>2</td></tr>
<tr><td>MIXED OTHER</td><td>9</td></tr>
<tr><td>MIXED WB AFRICAN</td><td>6</td></tr>
<tr><td>MIXED WB CARIBBEAN</td><td>4</td></tr>
</table>
</td>
<td></td>
<td>☑</td>
<td></td>
</tr>
</table>

<table>
<tr>
<td></td>
<td>
<table>
<tr><td>NOT KNOWN</td><td>2075</td></tr>
<tr><td>REFUSED</td><td>6</td></tr>
<tr><td>TRAVELLER</td><td>2</td></tr>
<tr><td>WHITE BRITISH</td><td>3997</td></tr>
<tr><td>WHITE IRISH</td><td>31</td></tr>
<tr><td>WHITE OTHER</td><td>250</td></tr>
<tr><td>Grand Total</td><td>6439</td></tr>
</table>
Tenants will benefit from the overall investment in council housing.
Wider tenant participation and engagement will increase the proportion of tenants providing feedback to inform service improvements.
Any proposed re-development of the housing stock could potentially have a negative impact on a specific group of tenants, depending upon the location.
Communication about the business plan may not fully reach those for whom English is not their first language.
</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religion or belief</td>
<td>
Tenants will benefit from the overall investment in council housing.
Developing and supporting staff to provide great customer service will ensure appropriate and sensitive services are delivered to the religious or belief requirements of tenants.
There is not expected to be any particular negative impact on this specific group.
</td>
<td></td>
<td></td>
<td>☑</td>
</tr>
</table>

Sex	Tenants will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.			☑
Sexual orientation	Tenants will benefit from the overall investment in council housing. Investment in our communities will ensure information about our services is accessible so that people can benefit from all our activities. Tenants experiencing alarm, distress and harassment will benefit from investment being made into providing great customer services which will be community inclusive. There is not expected to be any particular negative impact on this specific group.			☑
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	Property lettings will be allocated via the choice based lettings system - Homefinder Somerset, which has equality and diversity policies in place to ensure protected groups are not disadvantaged. The increase to rent and services charges will be applied across our housing stock. This increase will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and will enable the council to continue to provide an excellent range of services. To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income: • Publish clear information on rent which helps tenants to manage their own finances;		☑	

	• Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim.			

Negative outcomes action plan
Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing. We will communicate with all tenants to explain any significant changes affecting them and what we are investing in.	2021 - ongoing	Supported Housing Specialist.	Regular meetings and wider engagement with stakeholders.	☐
There is potential to alienate specific ethnic groups when housing is identified for regeneration/redevelopment. We will consider re-supply of appropriate housing to meet the needs of ethnic groups as part of any future regeneration/ redevelopment.	2021 - ongoing	Development and Regeneration Lead	Regular meetings and wider engagement with stakeholders.	☐
Those for whom English is not their first language are not made fully aware of changes. We will offer translation of communication into alternative languages. We will engage with minority groups using existing tenant involvement channels.	2021 - ongoing	Case Management Lead Tenancy Management and Supported Housing Specialist; Housing Performance Team.	Regular meetings and wider engagement with stakeholders.	☐

There is potential to alienate religious or belief groups when housing is identified for regeneration/redevelopment. We will consider re-supply of appropriate housing to meet the needs of any religious or belief groups as part of any future regeneration/redevelopment scheme.	2021 - ongoing	Development and Regeneration Lead	Regular meetings and wider engagement with stakeholders.	☐
The increase rent and service charges will be applied across our housing stock. The cost rise to tenants is a relatively modest one and will enable the council to continue to provide an excellent range of services. To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income: • Publish clear information on rent which helps tenants to manage their own finances; • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim. The proposed budgets for rental income in 2021/22 make a provision for bad debt.	2021 – onging 2021/22	Case Management Lead Tenancy Management and Supported Housing Specialist	Regular meetings and wider engagement with stakeholders. Regular meetings.	☐

The impact of both investment prioritisation and improvements to service delivery will be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan.	2021 – ongoing	Case Management Lead – Finance Director of Housing	Annual review of the HRA financial model. Annual review of the HRA business plan.	

If negative impacts remain, please provide an explanation below.
N/a

Completed by:	Stephen Boland
Date	January 2021
Signed off by:	
Date	January 2021
Equality Lead/Manager sign off date:	
To be reviewed by: (officer name)	Stephen Boland
Review date:	31st March 2022