Somerset West and Taunton

Shadow Scrutiny Committee – 18 September 2018

Draft Financial Strategy and Medium Term Financial Plan 2019/20

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1 Executive Summary

1.1 The purpose of this report is to provide Members with an update on producing a 2019/20 budget for the new Somerset West and Taunton Council including a Medium Term Financial Plan and overall Financial Strategy.

1.2 Historically, the former Councils of Taunton Deane and West Somerset separately produced a Medium Term Financial Plan (MTFP) that was updated during the year as part of their overall financial strategies. The purpose of the MTFP is initially to set the scene and give an early indication of the financial position and reductions required to deliver a balanced budget. Somerset West and Taunton will therefore require a new Financial Strategy for delivering a medium term balanced budget from 2019/20 onwards.

2 Recommendations

2.1 That Shadow Scrutiny supports the Financial Strategy for the new Council outlined in this report including an initial MTFP and budget proposals for 2019/20.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails to agree and deliver a sustainable Medium Term Financial Plan for the next five years.	Possible 3	Moderate 3	Medium 9
The Council is progressing a Transformation business case including a new operating model and new ways of working, and establishing the new council, which aims to deliver significant budget savings. These have significantly reduced the projected budget gap, however with ongoing uncertainty and a residual gap still to be addressed further plans will need to be developed to balance the budget over the medium and longer term.	Unlikely 2	Minor 2	Low 4

Risk Scoring Matrix

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

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

3.1 A number of risks are detailed within the main MTFS document.

4 Purpose of the Medium Term Financial Strategy (MTFS)

4.1 This strategy has been developed for partners, councillors, staff and most importantly residents to consider the financial context in which the Council will be operating. It will cover:

- Our aims and aspirations for the period of the plan
- How our resources will support the delivery of our priorities as detailed in the Council's Corporate Strategy
- Consideration of financial issues and pressures facing the Council during the period of the plan
- Review of the national position and the impact of Central Government funding
- Consider the local issues and how these impact financially
- Consider local opportunities to maximise resources
- Consider risks and uncertainties in financial planning
- Provide parameters and guidance for the annual budget process

5 Corporate Strategy and Priorities

5.1 The Corporate Priorities of the Council (contained in a Corporate Strategy) should inform where resources are directed in the MTFP.

5.2 The overall vision and design principles of the new Council are shown below:-

Our Design Principles are:

- Ambitious, making the most of our growth potential and the quality of our diverse natural environment.
- Enterprising and efficient, raising income to reinvest in essential local services.
- Customer focused, setting clear service standards, delivering what we promise in a customer friendly way.
- Strong partners, building relationships with those we work with to deliver growth and prosperity for all.
- Bold and innovative, embracing new technology and ways of working.
- Open, transparent, accountable and quick to learn from our mistakes and put things right.
- Led by elected members who will be active champions of democracy and of their own local communities.
- Delivered by trusted and empowered staff who have the right attitude, behaviours, skills and knowledge

6 Financial Strategy

6.1 The MTFS provides the Council's plan for balancing the budget over the medium term including the approach to managing costs and optimising / forecasting the funding that will be available to support spending on services. The MTFP contains the financial forecasts that underpins the strategy.

6.2 The Council's proposed financial strategy recognises that, like all local authorities, the challenge is to drive through even greater efficiency in our delivery of services to the community. Previously, the former councils of Taunton Deane and West Somerset both responded well to the reductions in central Government funding since 2011 and this has laid in place the sound financial foundations with which to start the new Council. Government funding for local authorities will continue to reduce during the current Parliament, and there are a number changes in the funding regime planned. This will bring some uncertainty as well as opportunity for which we need to prepare.

6.3 The MTFS considers financial issues that the Council will face during the five year period covered within this document. The ultimate aim of this plan is to provide short and medium term guidance for officers and Members, highlighting the budgetary issues which need to be addressed in order to deliver a sustainable financial position over the next five years.

6.4 The budget process for next year has already started and will culminate in the Council setting its annual budget and council tax requirement in February 2019 – allowing time for the bills to be sent out ready for collection from 1 April. A summary of the proposed budget timetable is set out below:-

Somerset West and Taunton Council

Budget Setting Timetable 2019/20

Date	Who	Action
2018		
10 September	Strategic Forum	• MTFP Update and Financial Strategy outline • 2019/20 BRR Pilot Bid update • Consider council tax harmonisation approach
18 September	Shadow Scrutiny	• Review Proposed Financial Strategy for 2019/20
26 September	Shadow Executive	• Agree Draft Financial Strategy for 2019/20
TBC November	Shadow Scrutiny	• Consider Draft 2019/20 Budget Progress Report and Initial Budget Options • Consider Draft 2019/20 Fees and Charges
15 November	Shadow Executive	• Consider Draft 2019/20 Budget Progress Report and Initial Budget Options • Consider Draft 2019/20 Fees and Charges
17 December	Shadow Authority	• Approve 2019/20 Fees and Charges
2019		
4 February	Shadow Scrutiny	Consider Drafts of: • 2019/20 Treasury Strategy, Investment Strategy, Prudential Indicators, Minimum Revenue Provision Policy • 2019/20 Capital Strategy • 2019/20 General Fund Revenue Budget and Capital Programme • 2019/20 Housing Revenue Account Budget and Capital Programme, including Housing Rents

Date	Who	Action
11 February	Shadow Executive	Recommend to Shadow Authority for approval: • 2019/20 Treasury Strategy, Investment Strategy, Prudential Indicators, Minimum Revenue Provision Policy • 2019/20 Capital Strategy • 2019/20 General Revenue Budget and Capital Programme • 2019/20 Housing Revenue Account Budget and Capital Programme, including Housing Rents
21 February	Shadow Council	Approval of: • 2019/20 Treasury Strategy, Investment Strategy, Prudential Indicators, Minimum Revenue Provision Policy • 2019/20 Capital Strategy • 2019/20 General Revenue Budget and Capital Programme • 2019/20 Council Tax Resolution • 2019/20 Housing Revenue Account Budget and Capital Programme, including Housing Rents
27 February 2019	Reserve Date for Shadow Council	*Contingency date*

The 2019/20 Local Government Finance Settlement

6.5 The Government has recently put out for consultation its proposals for the 2019/20 Local Government Finance Settlement. The consultation period ends on 18 September 2018.

6.6 The Government's current intention is that the 2019/20 settlement will confirm the final year of the multi-year settlement that has provided certainty for 4 years. The 2019 Spending Review will confirm overall local government resourcing from 2020/21, and the Government is working towards significant reform in the local government finance system in 2020/21, including an updated, more robust and transparent distribution methodology to reset baseline funding levels, and resetting business rates baselines. Arising from informal discussions that we already have had with MHCLG, we have assumed for our budget planning purposes that the 2019/20 finance settlement for Somerset West and Taunton will be a combination of the two former councils.

6.7 Prior to any reforms of the Local Government finance system for 2020/21, the Government is committed to testing aspects of the new system, and will be implementing a further round of Business Rates Retention pilots in 2019/20. We are currently exploring the opportunity to bid to become a pilot in 2019/20 for 75% business rates retention with other Somerset councils.

6.8 Further details of the general government grant settlement are shown in

Appendix A part 1.

Strategy for Business Rates (also known as Non Domestic Rates)

6.9 The Government has set a funding "baseline" for each local authority and under the current Business Rates Retention (BRR) system, Councils retain a proportion of business rates that exceed this baseline. The most prudent approach to budgeting for BRR is to set retained income at the safety net level as this is the guaranteed minimum level of income for any authority. However this could understate income and require more budget savings from services than may ultimately be required. The strategy is therefore to budget based on a reasonable forecast of BRR income each year taking into account appropriate assumptions and risks. The main risks are revaluation, economic growth, and appeals.

6.10 The MTFP reflects our best estimates at this stage and combines the original forecast positions of TDBC and WSC. To help protect against funding volatility both former Councils also set aside a specific Business Rates Smoothing earmarked reserve, to provide a contingency for estimation differences and accounting timing differences for elements of the BRR system. Going forward it is proposed that this strategy will continue and the MTFP includes an additional contribution of £1m to the smoothing reserve from 2019/20 to protect against any potential future funding reductions together with a further £500k contribution (£250k 2020/21 and 250k 2021/22) to protect against the potential volatility of Hinkley Point.

6.11 There is currently a Somerset business rates pool in operation for 2018/19 and as indicated in 6.7 above we are currently exploring the opportunity of making a bid to become a pilot for 2019/20. Clearly this will be subject to a robust due diligence exercise but the gains are likely to exceed the risks. However, the MTFP is currently forecast on the basis of the Council operating outside of any pooling arrangements and any pooling/pilot gains would provide additional resources.

6.12 Further detail on BRR is shown in Appendix A part 2.

100% Business Rates Retention (BRR)

6.13 In the Autumn Statement 2015 the Government confirmed its intention to allow local authorities to keep 100% of business rates income by 2020. The existing system of tariffs and top ups is expected to remain in order to prevent significant redistribution of baseline funding between authorities. In addition it is anticipated that local authorities will take on additional responsibilities through this change. As well as additional responsibility, this direction in funding will see a further transfer of risk to local authorities. The move to full 100% BRR has been delayed and instead the Government is looking to introduce 75% BRR from 2020/21.

6.14 The MTFP is forecast on the assumption that the move to 100% will have an overall neutral effect on the Net Budget. The full implications will not be known with certainty until the new system is fully implemented and the transferred responsibilities are confirmed.

Strategy for New Homes Bonus

6.15 New Homes Bonus (NHB) grant was introduced in 2011/12 with annual grant funding for district councils provided based on a sum equivalent to 80% of the national average annual council tax for every new home once occupied. This sum was payable for six years with an additional bonus of £280 (80% of £350) for every affordable home occupied. The grant aims to incentivise the delivery of housing growth, and is not ring-fenced.

6.16 Although NHB was successful in encouraging authorities to welcome housing growth, the Government view was that it did not reward those authorities who are the most open to growth. In December 2016, following consultation, the Government announced reforms to NHB by reducing the number of years New Homes Bonus payments are made from 6 to 5 years in 2017/18 and to 4 years from 2018/19. At the same time there was an introduction of a national baseline for housing growth of 0.4% of council tax base (weighted by band) from 2017/18, below which the Bonus will not be paid.

6.17 For 2019/20 The Government has retained the option of making adjustments to the baseline in future years to reflect significant additional housing growth and to remain within spending limits set at Spending Review 2015. In 2018/19 the baseline remained at 0.4%. Due to the continued upward trend for house building nationally, the Government expects to increase the baseline in 2019/20. This increase has been allowed for in the MTFP where we have assumed an increase on the growth target to 0.5% from 2019/20 onwards.

6.18 2019/20 represents the final year of funding agreed through the Spending Review 2015. In light of this, it is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. Government will consult widely on any changes prior to implementation.

6.19 Previously, Taunton Deane's strategy for use of NHB funding has been to allocate £392,000 of NHB grant each year to fund service costs within the annual budget, with the remaining majority of the funds set aside to support investment in growth, infrastructure and other projects that meet the priorities of the Council. Significantly, in December 2015 Taunton Deane Council agreed in principle to allocate the majority of New Homes Bonus to support a planned £16m investment in growth and infrastructure schemes over a five year period from 2016/17. Conversely, West Somerset Council's strategy has been to allocate all of the NHB grant funding to support day to day service delivery as part of the annual budget (£396,400 in 2018/19 and £320,400 for 2019/20).

6.20 Within this initial MTFP the total grant is projected within the range of £3.2m to £3.7m per year from 2019/20 onwards and the budget strategy assumes the planned use of NHB to fund service costs will closely follow the previous forecasts of Taunton Deane and West Somerset. This results in funding allocated as follows:-

	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Annual Budget	720,000	600,000	550,000	500,000	500,000
Growth Programme	2,839,400	3,116,200	2,813,800	2,732,600	2,857,600
Total	**3,559,400**	**3,716,200**	**3,363,800**	**3,232,600**	**3,357,600**

6.21 For further information on New Homes Bonus reefer to Appendix A part 3.

Strategy for Council Tax

6.22 The 2019/20 Local Government Finance Settlement proposals also set out the Council Tax referendum principles. The Government remains minded to keep to the same principles as in 2018/19, so that a shire district council in a two-tier area will be allowed an increase of up to 3%, or up to and including £5, whichever is higher. The current band D council tax amounts are £152.88 for TDBC and £155.56 for WSC respectively. For initial financial planning purposes it has been assumed that the initial 'harmonised' rate for 2019/20 will be £157.88 (the lower TDBC rate of £152.88 increased by £5). Thereafter, the Medium Term Financial Plan reflects a financial planning assumption that Council Tax charges will increase by 2.99% each year from 2020/21.

6.23 If the basic annual tax rate set by Somerset West and Taunton for 2019/20 is £157.88 the total council income raised for services would be £8.897m with a further £46k raised in 'special expenses' for spending specifically in the unparished area of Taunton. We will shortly be liaising with MHCLG to request a Secretary of State determination for an alternative notional amount (ANA) as the 2018/19 baseline figure against which any tax increases for referendum purposes will be measured. A higher ANA based upon the 2018/19 council tax level for WSC would give maximum flexibility to Members in terms of funding options.

6.24 It has been assumed that the existing precepting permissions to raise funds through Council Tax on behalf of the Somerset Rivers Authority (SRA) will continue such that in 2019/20 the amount collected by Somerset West and Taunton equates to a £1.74 Band D charge raising £98k in additional Council Tax which is passported to the SRA. This helps to fund investment in the 20 Year Flood Action Plan that was developed following the severe flooding experienced in Somerset in early 2014. The intention is for the Government to establish primary legislation to allow the SRA to raise funds via a council tax precept in its own right.

6.25 The Shadow Executive (and Executive) will recommend future council tax rates in February each year.

6.26 Further details regarding Council Tax and Somerset Rivers Authority are included in Appendix A, parts 4 and 5 respectively.

Negative Revenue Support Grant

6.27 The Government proposes to eliminate the negative Revenue Support Grant in 2019/20 funded from the Government's share of business rates. This affects 168 authorities of which Taunton Deane is included. Taunton Deane's share of negative RSG is currently £127,940 for 2019/20 increasing by approximately 2% each year in line with the multiplier. The financial plan currently assumes that any additional funding arising from the elimination of negative RSG will be set aside as increased contribution to earmarked reserves.

Council Tax Support (CTS)

6.28 Since 2013 local authorities have operated local Council Tax Support schemes, replacing the previous Council Tax Benefit system that was determined and funded by central Government.

6.29 The former Councils adopted Local Council Tax Support schemes for 2013/14 that were largely based on the former national Council Tax Benefit (CTB) scheme. From 1 April 2013, those of pension age received support of up to 100% of their Council Tax liability, while the maximum support for those of working age was set at 80% for TDBC and 85% for WSC. In designing the CTS schemes, we considered customers' ability to pay and the collectability of the resultant Council Tax liability. In 2018/19 both TDBC and WSC decided to change their schemes for working age people by removing applicable amounts in calculating CTS and instead award entitlement based on income bands. In addition to these changes, TDBC and WSC also decided to:

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

6.30 The Council is currently consulting on the 2019/20 CTS Scheme during the summer of 2018.

Strategy for Service Spending and Income

6.31 The main aim of the financial strategy going forward is to ensure sufficient financial resources are available to support the aspirations of the new Council in line with the priorities contained within the Corporate Strategy. This will ensure continued delivery of services in the face of continued reductions in government funding and successful implementation of the transformation programme. Transformation seeks to ensure the costs of delivering services is more efficient and customer focussed.

6.32 The initial starting point for the 2019/20 budget will be the combined base budgets of TDBC and WSC. These initial base budgets will be adjusted incrementally for:

- Inflationary pressures on employment and contract costs
- Any unavoidable cost increases arising from changes in demand or new legislation
- Changes to income forecasts arising from changes in demand
- Savings plans
- Investment income changes
- Revenue costs arising from the capital programme

6.33 The budget should also reflect the organisational structure of the new Council and the way it will deliver services through the transformation programme. This will mean significant changes to the traditional way that budgets have been formulated and managed. Work is currently well underway to align the existing base budgets into the new reporting and management framework.

6.34 The Council will review its fees and charges each year. The proposed strategy for Somerset West and Taunton is that as a minimum it should seek to fully recover costs of services where fees and charges are applicable. The Council will also consider introducing new charges for discretionary services in line with corporate priorities and where this will also enable valued services to be delivered. In certain service areas such as licensing, there are specific regulations that mean we aim to 'break even' on recoverable costs over a rolling period of 2-3 years, and any accrued surpluses or deficits are used to adjust fees and charges in subsequent years.

6.35 The Council will initially bring together the fees and charges of both TDBC and WSC with a view to aligning wherever it is practicable and financially sensible to do so. The proposed fees and charges for 2019/20 will be recommended for approval by the Shadow Authority in December 2018 as set out in the proposed budget timetable. Clearly, it is important that decisions do not only consider inflationary increases but also assess supply and demand for the service and the fees charged within the competitive market. It is also important that officers and councillors fully consider all options in order to maximise income.

6.36 The Council is also exploring further opportunities to generate income through commercial investment and other income generation initiatives. As part of its wider transformation agenda the Council is developing a more commercial approach that aims to provide a strategic approach to commercial investment opportunities as well as a general principle to be more business-like across all services.

Strategy for Reserves and Balances

6.37 The Council maintains both General Reserves and Earmarked Reserves. General Reserves are retained to provide a contingency to mitigate financial risks arising from unexpected events or emergencies and as a general working balance to help cushion the impact of uneven cash-flows. Earmarked Reserves are funds that have been set aside for specific purposes to be spent in future years and to provide contingencies for specific risks.

6.38 A regular review of financial risks is undertaken by the S151 Officer to assess the minimum adequate level of reserves, and the budget strategy and approach to ongoing financial management seeks to ensure General Reserves are maintained at or above the assessed minimum. A full review of the minimum level of reserves required for Somerset West and Taunton has yet to be undertaken but will be undertaken prior to approving a budget for 2019/20. The current level of minimum reserves for TDBC and WSC has been set at £1.7m and £0.7m respectively.

6.39 The Council will aim to balance the budget each year without the need to use General Reserves, and will prioritise allocating any significant surplus balance to fund one-off costs rather than support day to day running costs of the Council's services.

6.40 The estimated opening General Fund Reserves balance of Somerset West and Taunton as at 1 April 2019 is **£3.246m**, and this is likely to be above the recommended minimum balance. The total combined General Fund Earmarked Reserves of TDBC and WSC is **£25.864m** as at 1 April 2018.

Capital Strategy

6.41 The Council will have in place a capital strategy for 2019/20 and this will follow the format contained in the statutory code of practice 'The Treasury Management Code', issued by CIPFA. The capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

6.42 The key objective of the Capital Strategy is to deliver a capital programme that:

- Ensures the Council's capital assets are used to support the delivery of priorities within the Corporate Plan and the Council's vision;
- Links with the Council's Asset Management Plan;
- Is affordable, financially prudent and sustainable;
- Ensures the most cost effective use is made of existing assets and new capital investment;
- Supports other service specific plans and strategies

6.43 The resources to deliver the capital strategy will be identified through the annual budget setting process. The Council will use a rigorous capital prioritisation process before individual capital schemes are approved including development of a full business case for large individual capital schemes.

Treasury Strategy

6.44 The Council will annually review its Treasury Management Strategy, Annual Investment Strategy and approach to servicing capital debt ("Minimum Revenue Provision"). Whilst these detailed strategies are reported separately to the MTFS and MTFP, they are clearly intrinsically linked with the overall approach to financial planning and effective use of resources.

6.45 The strategies will reflect the ongoing challenging and uncertain economic times. The current economic outlook has several key treasury management implications:

- Investment returns are likely to remain relatively low during 2019/20 and in the near term
- Borrowing interest rates are currently attractive and are likely to remain low for some time
- The timing of any borrowing will need to be monitored carefully; there will remain a cost of carry – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

6.46 This Strategy looks to manage exposure to risk and volatility at this time of significant economic uncertainty by:-

- Considering security, liquidity and yield, in that order
- Considering alternative assessments of credit strength
- Spreading investments over a range of approved counterparties
- Only investing for longer periods to gain higher rates of return where there are acceptable levels of counterparty risk.

Voluntary and Community Grants – and other commitments

6.47 The existing base budgets of TDBC and WSC for 2018/19 include commitments of £160,000 and £33,600 respectively for Voluntary and Community budgets. Both Councils have established 'Funding and Support Agreements' with their Voluntary and Community Sector (VCS) Partners outlined below which run from 1st April 2017 – 1st April 2022.

- Each year in October, TDBC and WSC each invite their relevant VCS Partners to apply for a funding grant. These are received by December and assessed and shared with the Lead Member.
- Recommendations are made to the Grants Panel and the Lead Member publishes their decision.
- Full Council in February considers and hopefully approves the budget for the following year. Providing VCS funds are available, each of our successful VCS Partners are sent a 'Funding Notice' outlining the amount of funding they will receive from the Council for the next 12 months.
- In the event that the Council does not issue a Funding Notice by 30th April of any year both parties shall treat the Term as having come to an end and the Agreement will terminate as at 31st March of that year.

6.48 The MTFP has assumed that this commitment will continue and that Members will support the inclusion of these amounts into the 2019/20 base budget of the new council.

6.49 As a general principle any other base budget commitments from either TDBC or WSC will be incorporated into starting base budget of the new council assuming they remain as a priority. The Implementation Team and Members of the Shadow Authority will have the opportunity to consider any proposed changes to this core assumption through the budget setting process.

7 Medium Term Financial Plan Summary

7.1 The following table sets out a summary of the Medium Term Financial Plan for Somerset West and Taunton. This is based on the current estimate of costs and predicted funding and will be continually updated as more up to date information is known. In terms of budgets, the first year for Somerset West and Taunton will be 2019/20. However, for budget planning purposes the table includes the current year 2018/19, which represents the combined budget position of TDBS and WSC and is the starting base budget position for the new council.

MTFP SUMMARY 2018/19 TO 2023/24

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Services Costs	14,772,723	13,774,666	14,266,149	14,779,467	15,505,171	16,141,968
Net Financing Costs	517,030	410,140	369,500	333,860	336,970	340,080
SRA Contribution	96,981	98,053	99,426	100,818	102,229	103,660
Special Expenses	45,534	46,171	46,818	47,473	48,138	48,812
Earmarked Reserves-Growth	3,172,576	2,839,439	3,116,276	2,813,838	2,732,604	2,857,605
Earmarked Reserves-Other	-145,487	1,128,134	380,734	383,334	385,934	388,534
General Reserves	0	0	0	0	0	0
Net Expenditure	**18,459,357**	**18,296,603**	**18,278,903**	**18,458,790**	**19,111,046**	**19,880,659**
Retained Business Rates	-5,556,147	-5,538,970	-4,896,653	-4,999,106	-5,096,442	-5,188,934
Business Rates prior year surplus/deficit	541,689	0	0	0	0	0
Revenue Support Grant	-449,981	-6,340	0	0	0	0
Rural Services Delivery Grant	-241,506	-193,801	-193,801	-193,801	-193,801	-193,801
New Homes Bonus	-3,960,977	-3,559,439	-3,716,276	-3,363,838	-3,232,604	-3,357,605
Council Tax	-8,533,943	-8,896,888	-9,291,146	-9,702,820	-10,132,425	- 10,581,084
Council Tax–SRA	-96,981	-98,053	-99,426	-100,818	-102,229	-103,660
Council Tax–Special Expenses	-45,534	-46,171	-46,818	-47,473	-48,138	-48,812
Council Tax prior year surplus/deficit	-115,977	0	0	0	0	0
Net Funding	**18,459,357**	**18,339,662**	**18,244,120**	**18,407,856**	**18,805,639**	**19,473,896**
Budget Gap	0	-43,059	34,783	50,934	305,407	406,763
Gap – Change on Previous Year	0	-43,059	77,842	16,151	254,473	101,356

7.2 This MTFP Summary above shows that there is a broadly balanced position up to 2021/22 with a predicted budget gap of £407k by 2023/24. However, this is dependent in particular upon the accuracy of the forecast funding position beyond 2019/20 and full delivery of the transformation and one council savings. The Council has a legal requirement to set a balanced budget and needs to ensure that its overall costs are affordable i.e. they can be funded through income and planned use of reserves. If at any time a significant budget gap is identified Members will need to take the necessary decisions and actions to manage net spending within affordable limits. Progressing a commercial income generation strategy in line with the corporate strategy could provide an avenue for Members to address the medium term gap and protect service levels.

Key Assumptions within the MTFP

7.3 The MTFP is based on reasonable estimates of costs and income over the period of the plan. These include:

Service Costs and Income Assumptions

- Staff pay awards are estimated at 2% annually and is in line with the pay award recently agreed as per the national 2 year settlement.
- Inflation increases incorporated for main contractual arrangements: Somerset Waste Partnership, CCTV monitoring (by Sedgemoor DC), plus utilities and insurances.
- Demographic growth reflected in demand for street cleaning services. No funding is provided in core assumptions for demand growth in other services.
- Employers pension contributions based on 15.4% of pay, based on the latest 2016 actuarial valuation.
- Pension Fund deficit recovery lump sum costs rising from £1.990m in 2019/20 to £2.285m in 2023/24, based on the latest 2016 actuarial valuation (note, these costs are apportioned between the General Fund, HRA and Trading Accounts pro-rata to pension contribution costs).
- Transformation savings delivered within the General Fund rising to £1.934m per year by 2021/22 (plus a further £0.7m savings within the Housing Revenue Account budget).
- Savings of £551k by becoming one council have been recognised in the MTFP.

Funding Assumptions

- Business Rates Retention (BRR) will be set in line with rating income forecasts, projected to grow in line with inflation.
- Neutral impact on funding / costs through the implementation of 100% BRR, projected to be 75% implemented by 2020/21.
- General Government Grant – Revenue Support Grant, Rural Services Delivery Grant, and Transitional Grant – remains in line with the four year settlement agreed with Government in 2016.
- A large proportion of NHB Grant is earmarked each year for growth and infrastructure investment.
- Council tax is forecast based on an assumed band D charge of £157.88 for 2019/20 (2018/18 TDBC charge plus £5) and 2.99% increase for each following year.

8 Approach to Closing the Budget Gap

8.1 It is important that the Council has a robust and sustainable strategy to ensure the underlying financial position is preserved and investment in priority services remains affordable.

8.2 It is worth reminding Members of the current agreed approaches formerly adopted by TDBC and WSC which, it is anticipated, will underpin the future budget strategy of Somerset West and Taunton:

- Investing in growth and infrastructure – local government funding is becoming more and more reliant on local funding raised through business rates and council tax, with the main government grant through New Homes Bonus incentivising housing growth. Investing in growth, regeneration, housing and infrastructure will help to grow the funding available for local service delivery.
- Transforming services – with ongoing savings of £1.934m already factored into the General Fund MTFP forecasts.
- New Council – the new Council will be committed to full delivery of the £551k savings identified by becoming one council (and already accounted for in the MTFP)
- Accommodation – the council is investing in modernising and reconfiguring its office accommodation, both to provide fit for purpose space for staff, Members and visitors, and also to secure additional income through letting to other public and/or private sector tenants.
- Fees and charges – will be reviewed and updated to ensure full cost recovery wherever possible, and consider premium pricing for a premium service. Additional fees may be introduced for discretionary services.
- Income generation – within the Transformation Business Case the Council recognises that generating additional income through commercial activities / investments can provide essential funding needed for local service delivery.
- Treasury management – it is proposed to explore opportunities to increase interest earned on investments, whilst maintaining a prudent treasury strategy.
- Savings Options – The council will also consider options for further savings within services in line with Members' priorities, to be considered through the budget setting process each year.
- Base budget review – Following the combination of the two council budgets and progression of transformation it is proposed to recommend the new council undertakes a full base budget review during 2019 to 2020, to build on experience of working in a single council and a new operating model.

8.3 Proposals and realistic options for the 2019/20 Budget will be presented for Members for consideration as part of the budget process, with the budget due to be approved in February 2019.

9 Investing in Growth

9.1 The current budget plan of TDBC includes proposals to invest £16.6m from projected New Homes Bonus into various schemes to support growth and regeneration. It is assumed that this commitment will roll continue as a priority and spending commitment of Somerset West and Taunton. The most recent forecasts of investment spend and projected funding available from New Homes Bonus is shown below:-

	2016/17 Actual £k	2017/18 Actual £k	2018/19 Indicative £k	2019/20 Indicative £k	2020/21 Indicative £k	Totals £k
Capital schemes:						
Taunton Strategic Flood Alleviation		152	483	500	3,865	**5,000**
Major transport schemes		117	1,050	2,375	408	**3,950**
Town Centre regeneration	14	(64)	1,274	1,641	185	**3,050**
Employment site enabling and innovation to promote Growth		16	85	2,036	1,363	**3,500**
New Garden Communities					500	**500**
Revenue costs:						
Marketing Promotion and Inward Investment	102	110	100	88	100	**500**
Preparation of LDO's	59			41		**100**
Total Investment	**175**	**331**	**2,992**	**6,681**	**6,421**	**16,600**

Indicative Funding for Growth and Infrastructure Investment

	TDBC			**SWAT**		
	2016/17 Actual £k	**2017/18 Actual £k**	**2018/19 Indicative £k**	**2019/20 Indicative £k**	**2020/21 Indicative £k**	**Totals £k**
Funding Available:						
NHB Balance brought forward	4,162	4,231	7,614	7,625	3,663	4,162
Projected NHB Income	3,883	4,035	3,961	3,559	3,716	19,154
Less: NHB Allocated to Revenue Budget	(392)	(392)	(788)	(720)	(600)	(2,892)
NHB Funding Available	**7,653**	**7,874**	**10,787**	**10,464**	**6,779**	**20,424**
Funding Required:						
Previous commitments	3,163	(36)				3,127
Car Parks		(300)				(300)
NHB allocated to resourcing	84	265	170	120	120	759
£16.6m Growth Programme	175	331	2,992	6,681	6,421	16,600
Funding Required	**3,422**	**260**	**3,162**	**6,801**	**6,541**	**20,186**
Cumulative Funding Surplus / Shortfall(-)	**4,231**	**7,614**	**7,625**	**3,663**	**238**	**238**

9.2 The table shows that based on the current forecast there is an estimated surplus of £238k in projected NHB to support the programme. However, as already indicated above, it is the Government's intention to review NHB and its means to incentivise housing growth, and therefore from 2020/21 onwards funding is by no means certain.

9.3 In addition to funding the growth programme, it has previously been agreed to underwrite capital receipts needed for transformation from New Homes Bonus. This may mean the availability of NHB is less than shown above, increasing the likelihood that other funding options will be required for growth and infrastructure or costs deferred until adequate grant receipts are accumulated beyond 2020/21. This will be kept under review throughout the financial planning period.

9.4 WSC has received significant funding by way of s106 contributions and Community Impact Migration funds in respect of the Hinkley C development. This funding has been and continues to be used to fund a number of projects in the West Somerset Area. This funding is currently managed outside the General Fund budget process and it is proposed to adopt a similar planning and reporting arrangement as previously used by WSC.

10 Financing and Investment Costs and Income

Revenue Costs of Capital

10.1 The Council's capital investment is funded from a variety of sources which can have a direct or indirect impact on the revenue budget. The main 'capital financing costs' relate to repayments of borrowing and interest plus direct revenue contributions to capital ("RCCO") to fund capital spending.

10.2 Repayment of capital borrowing is known as Minimum Revenue Provision (MRP). Both TDBC and WSC previously used the weighted average approach to determine the annual MRP by calculating the charge based on an equal instalment method using weighted average asset life. It is proposed that this approach is adopted for Somerset West and Taunton.

10.3 The Council's General Fund capital debt is currently planned to be financed entirely through 'internal borrowing' for the foreseeable future therefore there is no forecast budget requirement for interest costs for the duration of the current MTFP. However this will be kept under review in the event it is necessary to externalise debt as capital spending is undertaken.

10.4 The Council also has plans to fund a number of recurring annual capital budgets through direct Revenue Contributions to Capital ("RCCO"). The current MTFP includes an annual RCCO budget requirement of £340,500 from 2019/20.

Interest Income

10.5 Both TDBC and WSC currently have significant cash surpluses through income collected in advance of spending and held in reserve (£34m and £16.4m respectively as at 31 March 2018). It is therefore certain that Somerset West and Taunton will also initially have significant cash sums available for investment. Due to recent economic downturn interest rates remain historically low and this trend is not expected to significantly change. With advice from Arlingclose, our treasury advisors, we will continue to review opportunities to improve investment returns whilst minimising risk to capital and liquidity. The investment income budget will be reviewed during the coming months, but initial estimates within the MTFP assume the income will be £473k in 2019/20.

11 Capital Funding and Reserves

Capital Receipts

11.1 Both TDBD and WSC have both committed a significant amount of their general capital receipts reserves to fund approved capital schemes up to and including the 2018/19 capital programme. Availability of capital receipts will be updated through the budget process.

Capital Earmarked Reserve

11.2 TDBC currently has a sum of £676k held in earmarked reserves towards funding of approved schemes within the Capital Programme.

Revenue Contributions to Capital ("RCCO")

11.3 The Council's future funding strategy includes the principle that recurring annual operational capital budgets are funded from revenue budget contributions. The annual RCCO budget requirement for 2019/20 and subsequent years is currently estimated at £340,500, providing funding for

- IT hardware annual replacement programme
- New and replacement waste and recycling containers (provided via the Waste Partnership)
- Leisure capital grants and play equipment replacement
- DLO vehicles, plant and equipment replacement programme

11.4 Currently the MTFP forecasts this annual budget requirement will remain static for the period to 2023/24.

External Grants and Contributions

11.5 The Council has committed plans to finance some of its capital investment requirement from external grants and contributions. This will include:

- S106 planning obligations income from developers
- Community Infrastructure Levy
- Better Care Fund grant from Somerset County Council for Disabled Facilities Grants

11.6 Although Central Government grant funding is limited due to the squeeze on public spending, the Council will work with local authority partners to secured major infrastructure investment funding.

Community Infrastructure Levy (CIL)

11.7 CIL is a tariff in the form of a standard charge on certain types of development, which in Taunton Deane is currently set by TDBC to help the funding of infrastructure. The principle behind CIL is that most development has some impact on infrastructure and the developer should contribute to the cost of providing or improving it. CIL applies to new floor space and charges are based on the size, type and location of the new development.

11.8 A separate report regarding CIL and future allocations for 2019/20 to 2022/23 is being considered by Scrutiny Committee in September. The projected balance of CIL receipts as at 31 March 2019 is anticipated to be £4m. The report details proposed CIL allocations of £15.5m for the period 2019/20-2022/23 for member consideration. The proposed CIL allocations are for infrastructure categories associated with the delivery of infrastructure projects for the Taunton Garden Town and are in addition to the £16.6m New Homes Bonus already committed to delivering the Council's growth agenda.

Borrowing

11.9 The Council will prioritise the use of surplus capital reserves and revenue resources where available, including NHB, to fund the General Fund capital programme. Borrowing as a method of financing will be considered as appropriate and in accordance with the capital strategy. The current policy is to borrow internally and avoid external borrowing if possible, as this is the cheaper option whilst interest rates on investments are low compared to the interest rates for borrowing. However new borrowing will be considered for material capital projects where the business need can be established.

11.10 The current and projected borrowing balances are summarised below:

General Fund Capital Financing Requirement

	2018/19 £k	2019/20 £k	2020/21 £k
Capital Borrowing (CFR) Opening Balance	12,252	23,338	25,634
Estimated New Borrowing	11,629	2,839	0
Minimum Revenue Provision	(543)	(543)	(619)
Capital Borrowing (CFR) Closing Balance	23,338	25,634	25,015

12 Capital Investment and Financing

12.1 The capital programme of Somerset West and Taunton will initially be a combination of the existing capital programmes of TDBC and WSC. The currently approved programme for TDBC is £52.5m of which £13.4m is forecast to be spent during 2018/19 and the amount projected to be spent in future years is £38.9m. The current capital programme budget for WSC is £11.5m of which £3.4m is forecast to be spent during 2018/19 and the amount projected to be spent in future years is £8.1m.

12.2 New capital spending requirements for 2019/20 and beyond will be developed through the annual budget planning process and linked to corporate priorities.

13 Financial Planning Risks and Uncertainty

13.1 The funding projections within the financial plan are based on the current multi-year Finance Settlement which covers the four year period to 2019/20. There is significant uncertainty beyond then:

a) **Spending Review 2019 (SR19)** – the Government will undertake its next Spending Review next year, which will influence future funding made available to local government. It is not known at this stage whether SR19 will cover one or more years, but will be reflected in the **2020/21 Finance Settlement**. An important context for the review is the recent projections for public finances by the Office of Budget Responsibility which show a growing deficit over the next decade as service demand increases are not matched by increasing tax revenues, together with the currently unfunded commitment to increase spending on the NHS by £20 billion per year.
b) **Fair Funding Review** – identifying the "need" for funding that will influence the distribution of funds between authorities in the **2020/21 Finance Settlement**.
c) **Business Rates Retention Reset** – the Business Rates Retention system is due to be "Reset" in 2020, so that growth in business rates is redistributed between local authorities through the target, baseline and tariff mechanism. This will be included in the **2020/21 Finance Settlement**.
d) **Business Rates Revaluations** – indications are the next Revaluation will be implemented in 2021, then be undertaken every three years rather current arrangement every five years.
e) **75% Business Rates Retention** – recent consultation indicates that Government propose to "roll in" or devolve Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG), the Greater London Authority (GLA) Transport Grant and the Public Health Grant (PHG) to local government when the new system commences. The scheme design for 75% BRR remains under development, and this is planned to be implemented within the **2020/21 Finance Settlement**.
f) **New Homes Bonus** – the housing growth baseline (the rate of housing growth that does not attract NHB Grant) is currently 0.4% but is expected to increase in 2019/20. The increase will be set out in the **2019/20 Finance Settlement**. In addition, in respect of 2020 onwards the Government has indicated its intention to "explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need." Government will consult widely on any changes prior to implementation, and it is assumed this will be implemented within the **2020/21 Finance Settlement**.

13.2 All of the above indicates that the Council's funding position in 2020/21 and beyond is impossible to predict with certainty, which brings added risk to our financial planning. The financial strategy addresses this uncertainty by:

a) Prudent assumptions used for future funding forecasts
b) Maintenance of sufficient balances and reserves

13.3 Other main areas of risk and uncertainty within the financial plan are:

a) Inflation – rising inflation could place additional pressure on pay settlements and prices for purchases of goods and services

b) Demand volatility – fluctuation in costs and income as a result of changes in demand led services and usage (e.g. planning, building control, parking, garden waste)

c) Delivery of savings – the MTFP includes transformation savings rising to £1.9m per year by 2019/20 within the General Fund (savings also arise in the HRA). Confidence is high that these savings will be delivered but this remains a risk at this stage. If these savings are not realised either in total and/or within the planned timescales this will increase the budget gap

d) Business Rates Retention – forecasts under BRR are notoriously difficult to predict with accuracy and can therefore change from year to year (e.g. for appeals, reliefs, etc.)

e) Economic slowdown – impact on business rates and NHB as well as income from fees and charges

f) Brexit – impact on services, investment performance, funding, etc.

14 Legal Implications

14.1 15.1 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.

15 Environmental Impact Implications

15.1 None for the purposes of this report.

16 Safeguarding and/or Community Safety Implications

16.1 None for the purposes of this report.

17 Equality and Diversity Implications

17.1 None for the purposes of this report. The specific proposals that develop through the budgeting and service planning processes will require equalities impact assessments to be completed and, where relevant, action plans to understand impacts and mitigations for the protected characteristic groups.

18 Social Value Implications

18.1 None for the purposes of this report.

19 Partnership Implications

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

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

21.1 None directly for the purposes of this report. The financial implications associated with asset management will be reflected within the Council's corporate and financial planning arrangements.

22 Consultation Implications

22.1 None for the purposes of this report.

Reporting Frequency: **Annually** (with further reports through the budget process)

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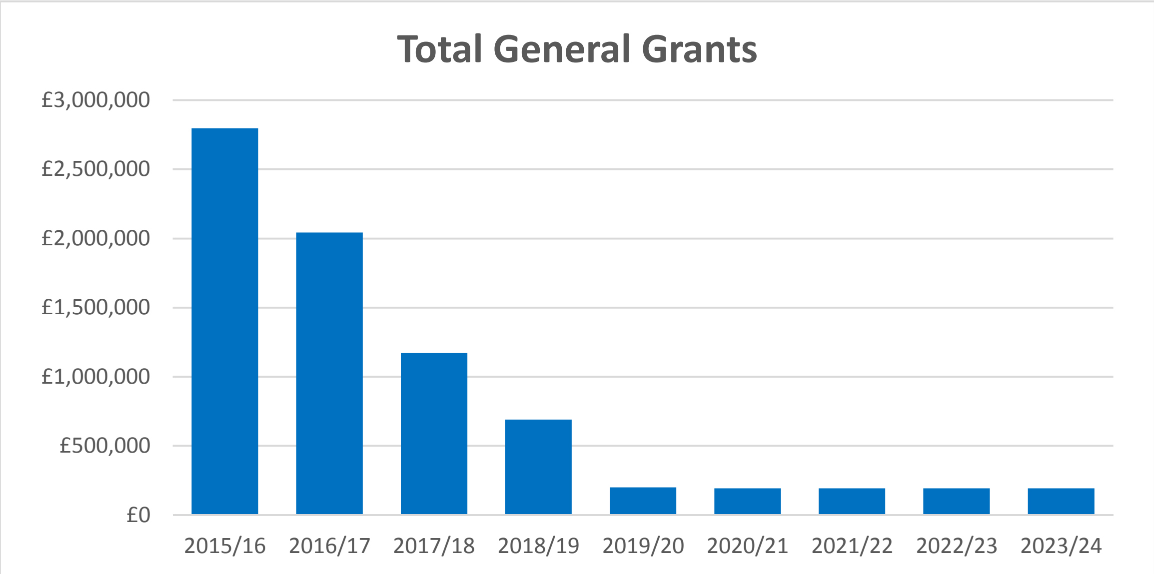
Appendix A – Additional Funding Information

1 General Government Grant

1.1 Included within the four year funding settlement offered by government, commencing in 2016/17, are three general revenue grants. The table and chart below show the reduction in this grants year on year. The figures assume Government will mitigate negative RSG in 2019/20 and beyond, however this won't be confirmed until the Provisional Settlement in published in December 2018.

General Revenue Grants

	TDBC/ WSC 2015/16 Actual £k	TDBC/ WSC 2016/17 Actual £k	TDBC/ WSC 2017/18 Actual £k	TDBC/ SWC 2018/19 Estimate £k	SWAT 2019/20 Estimate £k
Revenue Support Grant	2,796.8	1,785.4	961.7	450.0	6.0
Transitional Grant	0.0	16.9	16.9	0.0	0.0
Rural Services Delivery Grant	0.0	240.0	193.7	241.5	193.8
Total General Grant Funding	**2,796.8**	**2,042.3**	**1,172.3**	**691.5**	**199.8**



2 Business Rates Retention (BRR)

2.1 The approach to funding for local authorities changed in April 2013 with a move away from needs-based formula grant to a system that incentivises growth. This included the introduction of Business Rates Retention (BRR). The BRR scheme is based on 50% of business rates collected in the local area being retained by the Local Authorities (40% District, 9% County, 1% Fire).

2.2 Each Local Authority was allocated a Business Rates Funding Baseline by the Government based on the level of funding needed under the previous formula scheme. Under BRR, SSDC receives a "standard share" of 40% of business rates collected. However, because this a greater amount than the Baseline "need" we pay a Tariff to redistribute part of the funds to Top Up authorities whose standard share is below the Baseline "need". Any income collected over and above the baseline figure has a levy of 50% which is paid to Government with the other 50% retained by TDBC and WSC.

2.3 The BRR system is quite complex, and is susceptible to volatility and fluctuation based on inflation, rate of growth, appeals and refunds, bad debt, and changes in Government policy. Since the inception of the scheme the biggest area of risk, uncertainty and volatility relates to appeals and refunds. The Council will mitigate this risk through a combination of:

- prudent forecasting through analysis of past trends, and future risks and opportunities
- budgeting for a provision for funding reductions in respect of appeals and refunds
- maintaining an earmarked "BRR Smoothing" reserve to guard against large reductions in funding for services and also address accounting timing differences.

2.4 The initial BRR estimates for 2019/20 assume net funding growth is in line with inflation, with growth in rating income being offset by appeals and other reductions. These assumptions will be reviewed during the budget process.

2.5 In addition, there is significant budget risk regarding the impact of the planned Reset of the rating income target, baseline and tariff which is due to be implemented in April 2020. This will be the first Reset under the BRR system, and it is not known at this stage what the true impact will be. A prudent contingency for a reduction in business rates from April 2020 has been included in the MTFP estimates pending further information being issued by Government.

Business Rates Retention Estimates

	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
40% Share of BR Income	22,382	22,837	23,292	23,747	24,202
100% Renewable Energy BR Income	205	209	213	217	222
S31 Grant Income for Government-funded reliefs	1,987	2,022	2,052	2,077	2,098
Tariff	-18,087	-18,454	-18,822	-19,190	-19,557
Levy cost	-948	-967	-986	-1,005	-1,025
Contingency for Reset impact	0	-750	-750	-750	-750
Net Retained Business Rates Funding	5,539	4,897	4,999	5,096	5,189

3 New Homes Bonus

3.1 The New Homes Bonus (NHB) Grant is a grant from the Government which 'rewards' housing growth. The NHB Grant is not ring-fenced, which means the Council is free to decide how to use it based on local priorities.

3.2 The calculation of the grant has changed from 2017/18 onwards, as the government has redirected funding available under NHB to the Better Care

Fund in support of social care funding pressures. The scheme was originally designed such that each year of housing growth attracted funding for 6 years; therefore in 2016/17 we received 6 years' worth of grants. As part of the Finance Settlement for 2017/18 the Government confirmed this would reduce to 5 years' worth in 2017/18 and then 4 years' worth from 2018/19. In addition, a new growth baseline was introduced in 2018/19 with no grant due on the first 0.4% of Band D equivalent growth. Our estimates assume this baseline will increase in 2019/20 to 0.5%.

3.3 The table below summarises the grant calculations and estimates from 2016/17 onwards.

New Homes Bonus Projection

	Actual TDBC/WSC			**Estimate SWAT**				
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£k	£k	£k	£k	£k	£k	£k	£k
2011/12	483.3							
2012/13	795.0							
2013/14	832.3	832.3						
2014/15	635.9	635.9						
2015/16	1,003.2	1,003.2	1,003.2					
2016/17	849.7	841.5	841.5	841.5				
2017/18		1,267.3	1,258.4	1,258.4	1,258.4			
2018/19			857.9	857.9	857.9	857.9		
2019/20				601.6	601.6	601.6	601.6	
2020/21					998.3	998.3	998.3	998.3
2021/22						906.0	906.0	906.0
2022/23							726.7	726.7
2023/24								726.6
Total	**4,599.4**	**4,580.2**	**3,961.0**	**3,559.4**	**3,716.2**	**3,363.8**	**3,232.6**	**3,357.6**
NHB in MTFP	**1,108.0**	**937.4**	**788.4**	**720.0**	**600.0**	**550.0**	**500.0**	**500.0**

4 Council Tax Base and Council Tax Band D Rate

4.1 The Council Tax Base on which the Council generates its local tax revenue is the number of residential properties expressed as Band D equivalents. It reflects adjustments for reductions including Single Person Discount and Local Council Tax Support as well as assumptions around net growth and collection rates. The Tax Base has been forecast to increase each year by 1.4%. The actual tax base for 2019/20 will be determined in December 2018.

4.2 The combined Council Tax Base of TDBC and WSC for 2018/19 is 55,574.2 Band D Equivalent properties. The 2018/19 Band D tax rates are currently £152.88 for TDBC and £155.56 for WSC respectively. The forecast tax base for 2019/20 is 56,352.2.

4.3 A 1% increase equates to approximately £90k additional income.

4.4 An assumed £5 increase in 2019/20 to the TDBC (£152.88 council tax level) equates to 3.27%, and together with the estimated tax base increase has added £363k additional income within the current MTFP estimates for 2019/20.

4.5 The following table summarises the projected Council Tax Base and income budget estimates within the Plan (including SRA precept).

	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Council Tax Base					
Increase %	1.4%	1.4%	1.4%	1.4%	1.4%
Increase in Band D Equivalents	778.0	788.9	800.0	811.2	822.5
Tax Base	**56,352.2**	**57,141.1**	**57,941.1**	**58,752.3**	**59,574.8**
Council Tax Rate					
Increase % (MTFP assumption)	3.27%	2.99%	2.99%	2.99%	2.99%
Increase £	5.00	4.72	4.86	5.00	5.15
Band D Rate £	**157.88**	**162.60**	**167.46**	**172.46**	**177.61**
Council Tax Income					
Increase due to Tax Base £k	-119	-124	-130	-136	-142
Increase due to Tax Rate £k	-244	-270	-282	-294	-307
Total Council Tax Precept £k	**-8,897**	**-9,291**	**-9,703**	**-10,132**	**-10,581**

5 Somerset Rivers Authority Precept

5.1 The Somerset Rivers Authority (SRA) was created following the severe flooding that hit the area in the winter of 2013/14. It has developed a 20 Year Flood Action Plan which will target long term investment to develop improved flood prevention and resilience when flooding is unavoidable. In 2015/16 through a combination of Government funding and contributions from local authorities in Somerset, the SRA had a budget of £2.7m to progress the Action Plan. In future the SRA will be able to set its own Precept to raise Council Tax income to help deliver the Plan.

5.2 In 2016/17 the County Council and the five district Councils in Somerset had the opportunity to raise additional council tax funding, based on 1.25% of the 2015/16 Council Tax rate, to raise funding for the Somerset Rivers Authority pending its establishment as a precepting body. For Somerset west and Taunton this equates to £1.74 a year on a Band D. In 2018/19 the Council Tax raised and passed on to the SRA is £97k.

5.3 The Government has previously committed to implementing the necessary legislation to allow the SRA to precept in its own right. The timing of this is uncertain, and the MTFP assumes the current arrangements remain in place for the foreseeable future.