

# South Hams Joint Development Management Committee and Overview & Scrutiny Panel



<b>Title:</b>	<b>Agenda</b>																								
<b>Date:</b>	<b>Thursday, 23rd January, 2020</b>																								
<b>Time:</b>	<b>10.00 am</b>																								
<b>Venue:</b>	<b>Council Chamber - Follaton House</b>																								
<b>Full Members:</b>	<p style="text-align: center;"><b>Chairman</b> Cllr Birch <b>Vice Chairman</b> Cllr Smerdon</p> <p><i>Members:</i></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Cllr Brazil</td> <td>Cllr Kemp</td> </tr> <tr> <td>Cllr Brown</td> <td>Cllr Long</td> </tr> <tr> <td>Cllr Foss</td> <td>Cllr McKay</td> </tr> <tr> <td>Cllr Hodgson</td> <td>Cllr O'Callaghan</td> </tr> <tr> <td>Cllr Holway</td> <td>Cllr Pannell</td> </tr> <tr> <td>Cllr Pennington</td> <td>Cllr Reeve</td> </tr> <tr> <td>Cllr Pringle</td> <td>Cllr Rose</td> </tr> <tr> <td>Cllr Rowe</td> <td>Cllr Spencer</td> </tr> <tr> <td>Cllr Abbott</td> <td>Cllr Sweett</td> </tr> <tr> <td>Cllr Austen</td> <td>Cllr Taylor</td> </tr> <tr> <td>Cllr Chown</td> <td>Cllr Thomas</td> </tr> <tr> <td>Cllr Jackson</td> <td></td> </tr> </table>	Cllr Brazil	Cllr Kemp	Cllr Brown	Cllr Long	Cllr Foss	Cllr McKay	Cllr Hodgson	Cllr O'Callaghan	Cllr Holway	Cllr Pannell	Cllr Pennington	Cllr Reeve	Cllr Pringle	Cllr Rose	Cllr Rowe	Cllr Spencer	Cllr Abbott	Cllr Sweett	Cllr Austen	Cllr Taylor	Cllr Chown	Cllr Thomas	Cllr Jackson	
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<b>Interests – Declaration and Restriction on Participation:</b>	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.																								
<b>Committee administrator:</b>	Democratic Services@swdevon.gov.uk																								

**1. Apologies for Absence**

**2. Urgent Business**

Brought forward at the discretion of the Chairman;

**3. Division of Agenda**

to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;

**4. Declarations of Interest**

Members are invited to declare any personal or disclosable pecuniary interests, including the nature and extent of such interests they may have in any items to be considered at this meeting;

**5. Public Forum**

**1 - 2**

A period of up to 15 minutes is available to deal with issues raised by the public;

**6. Revenue Budget Proposals for 2020/21**

**3 - 38**

**7. Capital Budget Proposals for 2020/21**

**39 - 52**

## **PUBLIC FORUM PROCEDURES**

### **(a) General**

Members of the public may raise issues and ask questions at meetings of the Overview and Scrutiny Panel in relation to agenda items (and in accordance with the O&S rules in Part 4). This session will last for up to fifteen minutes at the beginning of each meeting.

### **(b) Notice of Questions**

An issue or question may only be raised by a member of the public provided that they have given written notice (which may be by electronic mail) to the Democratic Services Lead Specialist by 5.00pm on the Monday, prior to the relevant meeting.

### **(c) Scope of Questions**

An issue may be rejected by the Monitoring Officer if:

- it relates to a matter within the functions of the Development Management Committee;
- it is not about a matter for which the local authority has a responsibility or which affects the district;
- it is offensive, frivolous or defamatory;
- it is substantially the same as a question which has previously been put in the past six months; or
- it requires the disclosure of confidential or exempt information.

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Report to: **Joint Development Management Committee and Overview and Scrutiny Panel**

Date: **23 January 2020**

Title: **Revenue Budget Proposals for 2020/21**

Portfolio Area: **Cllr J Pearce – Budget Setting Process**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: 6 February 2020

Author: **Lisa Buckle** Role: **Strategic Finance Lead (S151 Officer)**  
**Pauline Henstock** **Head of Finance Practice (Deputy S151 Officer)**

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## Recommendations:

**The views of the Joint Development Management Committee and Overview and Scrutiny Panel are sought on the content of the Revenue Budget Proposals report for 2020/21.**

**Views are sought in particular on:-**

- i) The proposed increase in Council Tax for 2020/21 of £5 (Band D of £170.42 for 2020/21 – an increase of 10 pence per week or £5 per year – equates to a 3.02% increase)**
- ii) The financial pressures shown in Appendix A of £1,575,640**
- iii) The net contributions to/(from) Earmarked Reserves of (£53,700) as shown in Appendix D**

- iv) The savings of £914,477 as shown in Appendix A**
- v) Partnership funding levels set out in 2.38**
- vi) The proposed use of £500,000 of New Homes Bonus funding to fund the 2020/21 Revenue Budget as set out in 2.25 of the report**
- vii) Further measures to close the predicted 2020/21 budget gap of £51,543**
- viii) The inclusion of an Economy post (shared with West Devon Borough Council within the staffing establishment, as set out in section 1.7)**

**1. Executive summary**

- 1.1 The Council's Medium Term Financial Position (MTFP) is based on a financial forecast over a rolling five year timeframe to 2024/25. The Council, along with other local authorities, has faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010. Between 2009/10 and 2020/21, the Council's Core Government funding has reduced by £4 million.
- 1.2 South Hams has continued to work in partnership with West Devon Borough Council which has allowed SHDC to achieve annual savings of £3.9 million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6 million. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.
- 1.3 The latest Budget position for the Revenue Budget 2020/21 is set out in this report. In the Modelling in Appendix B, the total projected budget gap is £51,543 in 2020/21 and this is predicted to increase to £606,374 in 2021/22 (the £606,374 assumes the budget gap in 2020/21 of £51,543 has not been closed). The aggregated Budget Gap to 2024/25 is £3.4 million.
- 1.4 A Members' Budget Workshop was held on 7<sup>th</sup> November. Based on the results of the Members' Budget Survey, the following changes have been reflected within this latest budget report:-
- A **Climate Change Policy Officer** (a two year temporary post) has been included at a cost of £25,000 per annum (SHDC share).
  - The **Business Rates Pooling Gain** has been increased by £50,000 to £200,000 in 2020/21, in line with current forecasts for 2019/20.

- Following the **Triennial Pension Revaluation** the Council has been notified that it will have no actuarial pension deficit as at 31.3.2019, resulting in a saving of £200,000 per annum (see 2.26 and 2.27). There is now no need for the Council to pay any lump sum into the Pension Fund as SHDC's pension fund is in a small surplus position. However, the primary rate, the employer's pension contribution rate is increasing by 2.2% from 14.6% to 16.8% producing a cost pressure of £140,000 from 2020/21 until the next actuarial pension revaluation. The Devon Pension Fund in general is experiencing a 2% increase in the primary rate due to the change in financial assumptions. An allowance of an additional 2% (£25,000) for the pension contributions for the externalised waste contract has also been built in for 2020/21 onwards. Therefore the net budget impact is a saving of £35,000 as shown in 2.27.
- An increase in **car parking pay and display fees** of 4% from 1<sup>st</sup> April 2020, generating £80,000 additional income per annum. It is envisaged that this will be the only increase in car parking pay and display fees within this four year period of the Council. This is less than the anticipated inflation over the four years.
- Additional income from the Council's **Commercial Investment Strategy** of £75,000 per annum (p.a.)
- Additional **employment estates income** of £25,000 p.a.
- Additional **treasury management income** of £20,000 p.a.
- Additional **corporate consultancy income** of £10,000 p.a.
- Additional planning income of £9,600 p.a. from the introduction of a **premium planning service**.
- A reduction in **ICT contracts** of £12,000 p.a.

1.5 In addition, three temporary posts shared with West Devon Borough Council) have been proposed in this report to be made permanent, to be funded by the Flexible Homelessness Government grant funding, to provide stability of resource within the Council's Housing team. The SHDC share of costs is £48,700. This does not create a cost pressure on the 'bottom line' as the cost pressure is offset by the government grant income, therefore there is a neutral impact on the budget.

1.6 Other changes that have been incorporated in this latest Budget position for 2020/21 are as follows:

- Pressures identified within the Quarter 2 Revenue Budget Monitoring Report
- Estimated one off redundancy and pension strain costs following the Senior Leadership Team and Extended Leadership Team restructure of £25,000 per annum for three years (see 10.1).
- An increase in the annual contribution to the Repairs and Maintenance Reserve of £25,000.

1.7 Members' views are also sought on including an Economy post (shared with West Devon Borough Council) within the staffing establishment

going forward, to be funded from the business rates pooling gains, to further drive the Council's economic aims and the Enterprise strategic theme, creating places for enterprise to thrive and business to grow (see 2.20). The cost of this post is expected to be around £25,000 per annum (SHDC share). Currently, this cost has not been built in to Appendix A as a budget pressure for 2020/21 onwards.

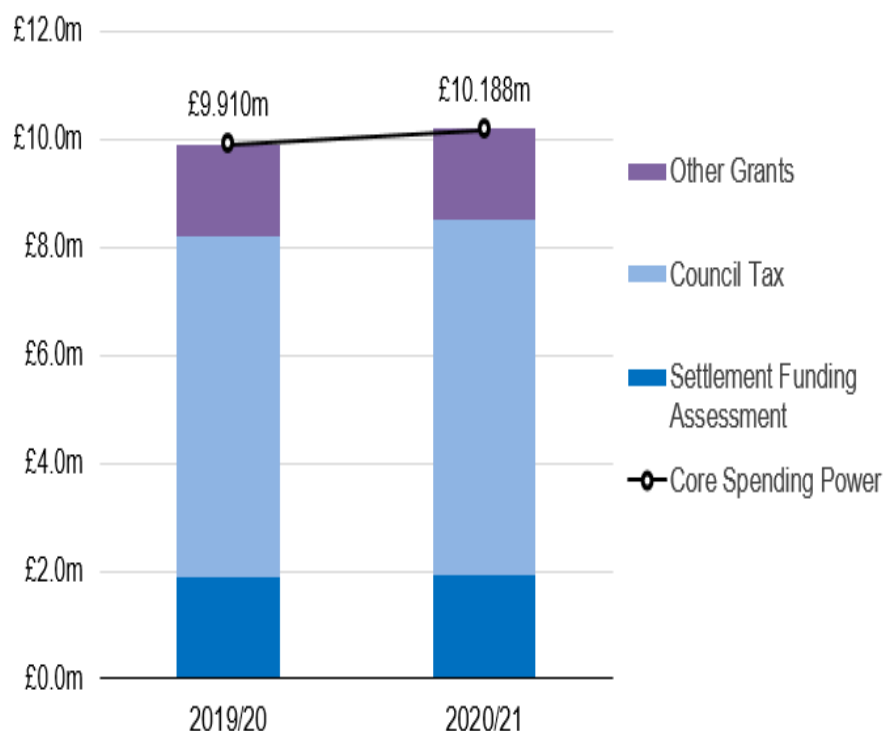
## **2. CHANGES TO THE 2020/21 BUDGET REPORT SINCE THE EXECUTIVE MEETING OF 19<sup>TH</sup> DECEMBER 2019**

### **Draft Local Government Finance Settlement for 2020/21**

- 2.1 On 20th December 2019, the Government announced the draft Finance Settlement for 2020/21 for consultation. The key points from the Finance Settlement are below.  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/854542/Provisional\\_Settlement\\_Consultation\\_Document.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/854542/Provisional_Settlement_Consultation_Document.pdf)
- 2.2 There will be a one year Spending Round for 2020-21 and plans for a more substantial Spending Review for 2021-22 onwards. So effectively this a 'roll-forward' settlement for 2020-21 for one year.
- 2.3 Core Spending Power has increased by 2.8%. This is made up of Income from Council Tax, Business Rates, New Homes Bonus and Rural Services Delivery Grant. The analysis of the 2.8% increase in Spending Power (increased resources available) is made up of:-
  - an 'assumed' increase in council tax of £5
  - an increase in income from business rates of 1.63%
  - a reduction in New Homes Bonus funding of 2.28%



**Chart 1 - Core Spending Power**



**Chart 2 – Core Spending Power (£m)**

	2019/20	2020/21	Change
<b>Core Spending Power</b>	<b>9.910</b>	<b>10.188</b>	<b>2.81%</b>
<i>Which consists of:</i>			
Settlement Funding Assessment (Business Rates Baseline)	1.897	1.928	1.63%
Assumed Council Tax	6.316	6.575	4.10%
New Homes Bonus	1.227	1.199	(2.28)%
Rural Services Delivery Grant	0.408	0.408	-
Other grants	0.062	0.078	25.8%

**Chart 3 – Change in Core Spending Power by class of Authority  
(2019/20 to 2020/21)**

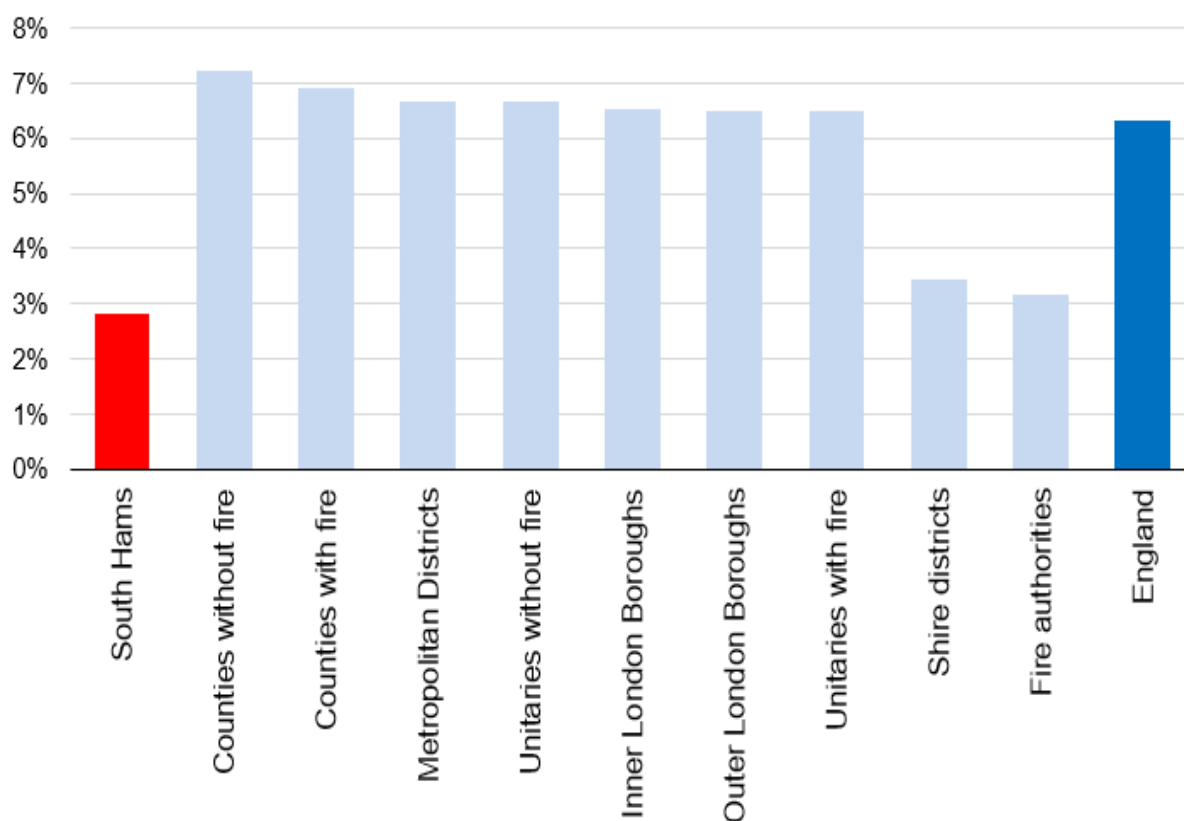


Chart 3 shows how the increase in Core Spending Power for South Hams District Council (2.81%) compares against other classes of Local Authorities. South Hams is lower than the average Shire District, mainly due to a reduction in New Homes Bonus funding.

### Council Tax

- 2.4 The Council Tax Referendum limits for District Councils will be the higher of 1.99% or £5, for 2020/21. The Budget reports includes modelling an increase in council tax in 2020/21 of £5, equating to a Band D council tax of £170.42 for 2020/21. This is an increase of 10 pence per week or £5 per year and equates to a 3.02% increase.
- 2.5 Council in September 2019 (Council Minute 34/19) has set the strategic intention to raise council tax by the maximum allowed in any given year, without triggering a council tax referendum, to enable the continued delivery of services. The actual council tax for any given year will be decided by Council in the preceding February. (The council tax for 2020/21, the SHDC share, will be set at the Council meeting on 13th February 2020).
- 2.6 A 1% increase in council tax generates £64,000. It has been assumed that the number of properties within the District will increase by 600 per annum from 2020/21 to 2024/25 – this is an increase of approximately 1.6% and is based on projections from the Strategic Planning team.

- 2.7 The Government proposes to continue with no referendum principles for Town and Parish Councils in 2020/21. Town and Parish Councils have been informed of this.

### **Negative Revenue Support Grant**

- 2.8 Negative Revenue Support Grant (RSG) for 2020/21 will be withdrawn and will continue to be funded by the Government. This means the Council wouldn't have to forego some of its business rates income (£400,000) by paying some of it back to Government in the form of 'negative government grant' in 2020/21.
- 2.9 There has been no news on what will happen to negative RSG from 2021/22 onwards and therefore the modelling in this report has assumed negative RSG will remain for 2021/22 onwards in some form (e.g. as part of the business rates baseline reset). It is currently estimated to be £400,000 per annum which would be deducted off the Council's business rates funding and represents negative Government grant (it is effectively the Council's further predicted funding cuts).

### **Rural Services Delivery Grant**

- 2.10 For 2020/21, the funding amount (£81m nationally) and the methodology for distribution remain unchanged from 2019/20. The Council will continue to lobby on the basis that the £81m should be increased. South Hams District Council's share of this is £408,055 for 2020/21. This is Government grant to recognise the additional cost of delivering services in rural areas.

### **Business Rates**

- 2.11 A similar system in 2020/21 to that in place for 2019/20 is being proposed, with further reform delayed until 2021/22. The business rates baseline for 2020/21 has been confirmed at £1.928m in the draft Finance Settlement. This was previously estimated at £1.944m for 2020/21. Estimates have been made of the Baseline funding Levels for 2021/22 onwards. The £1.928m is the amount the Council retains from its business rates income collected of £31 million (the Council keeps about 6p in every £1 collected of business rates to fund its services).

The Council has estimated from its business rates modelling that the amount of business rates income achieved from growth above the baseline level equates to approximately £230,000. This is based on future predictions of business rates growth and updated financial modelling tools following the draft Finance Settlement being issued on 20<sup>th</sup> December 2019. This is an increase of £74,000 on the draft figures presented to the Executive on 19<sup>th</sup> December where this figure was estimated at £156,000. In addition, the estimated business rates

pooling gain for 2020/21 has been increased from £150,000 to £200,000, in light of the current monitoring position on the Devon Business Rates Pool.

#### Chart 4 – Settlement Funding Assessment (£m)

	2019/20	2020/21	Change
<b>Settlement Funding Assessment (SFA)</b>	<b>1.897</b>	<b>1.928</b>	<b>1.6%</b>
Which consists of:-			
Business Rates Baseline funding	1.897	1.928	1.6%
Revenue Support Grant (Government grant)	Nil	Nil	Nil

- 2.12 There are five 100% pilot areas from 2017/18 that will continue for 2020/21 being Liverpool, Greater Manchester, West of England, Cornwall and West Midlands. There are 27 local authority areas that have applied to pool in 2020/21, of which the Devon Business Rates Pool is one. South Hams District Council will continue to be part of a Devonwide Business Rates Pool for 2020/21.

#### Other updates to the Budget report since the Executive meeting of 19<sup>th</sup> December 2019

- 2.13 The Executive met on 19<sup>th</sup> December 2019 to consider the Revenue Budget Proposals report for 2020/21. Below is an extract from the minutes of the meeting:-

##### **(Minute 61) - Draft Revenue Budget Proposals for 2020/21**

The Leader introduced the report, and set out the key points for consideration, and advised that the proposals would be passed to the Overview and Scrutiny Panel for consideration, before being presented back to Executive at the next meeting on 6 February, 2020. The s151 Officer responded to questions of clarity.

It was then **RESOLVED** that:

- (i) the forecast budget gap for 2020/21 of £33,320 and the position for future years (a projected £0.530 million budget gap in 2021/22) be noted;

(ii) the current options identified and timescales for closing the budget gap in 2020/21 and in future years, to achieve long term financial sustainability be noted; and  
(iii) the views of the joint meeting of the Overview and Scrutiny Panel and Development Management Committee on the Revenue Budget Proposals set out within this report for 2020/21 be requested.

- 2.14 The TaxBase for 2020/21 was approved by the Senior Leadership Team on 18<sup>th</sup> December and has been confirmed at 38,508.49. This is an increase of 328.77 Band D Equivalent properties from the 2019/20 TaxBase. (The increase of just under 329 Band D properties is fewer than the previously modelled assumption that the number of properties would increase by 600 per annum). Future growth predictions for future years have been reduced to 400 extra properties.

### **Haulage and processing of waste and recyclable materials**

- 2.15 The revenue budget monitoring position for Quarter 3 (the end of December 2019) is being compiled in preparation for presentation to the Executive on 6<sup>th</sup> February 2020. At Quarter 2 the Council reported a net budget pressure of £130,000 in 2019/20 due to contamination and the suppressed market continuing to affect income for recyclable materials. This also took into account a reduction in haulage costs due to the new reprocessor being closer to the South Hams, combined with an increase in costs for processing recycling.
- 2.16 As reported at a recent Waste Partnership Board meeting, the changes in the global recycling market is currently one of the biggest challenges in the business. There have been increasing restrictions on contamination and moisture content on fibre materials (paper and card) throughout global markets, with fibre prices around 2/3rd lower than 12 to 15 months ago. Demand for metals is also currently low and there has been a 25% reduction in price over the last 12 months.
- 2.17 In light of the further market downturn, revised predictions show a further cost pressure of £60,000 (increasing the cost pressure in 2019/20 from £130,000 to £190,000). This includes a loss of around £26,000 from recycling credits, as when materials are rejected due to contamination, they do not attract recycling credits. The total predicted net budget pressure for haulage and reprocessing of recyclable materials for 2019/20 is therefore £190,000.
- 2.18 These predictions are based on the current market rates and therefore may change positively or negatively by the end of the financial year. Members will be kept informed of any significant changes.
- 2.19 Whilst the Council will continue to be affected by the market in future years, once the Devon Aligned Service starts in September 2020, this cost will be halved by sharing the market risk with the waste contractor. *A cost pressure of £95,000 has been built into the Medium Term*

*Financial Strategy to reflect this for 2020/21 (this is an increase of £30,000 on the position reported to the Executive on 19<sup>th</sup> December 2019, where a cost pressure of £65,000 was included).*

**Summary of the Budget changes since the report to the Executive on 19<sup>th</sup> December 2019**

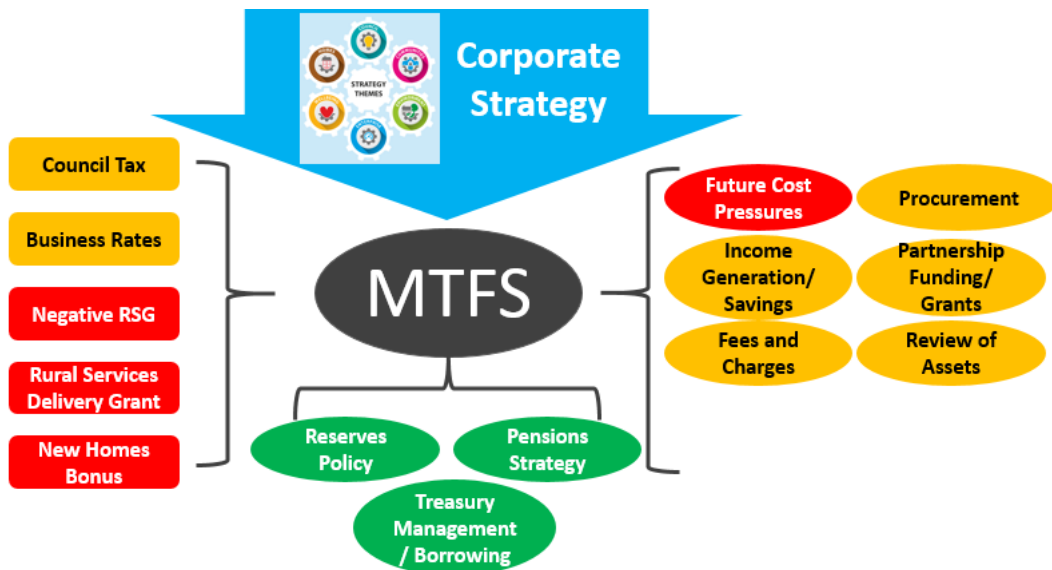
2.20 The table below shows the summary of changes to the Budget report for 2020/21, since the Executive meeting of 19<sup>th</sup> December 2019.

	<b>Total (£)</b>
<b>Budget Gap for 2020/21 reported to the Executive meeting on 19<sup>th</sup> December 2019</b>	<b>33,320</b>
<b><i>Increase in income modelled</i></b>	
Increase in the business rates income achieved above the baseline (predictions increased from £156,000 to £230,000) as per 2.11	(74,000)
<b><i>Reduction in income modelled or increase in cost pressures</i></b>	
TaxBase confirmed at 38,508.49 for 2020/21 (There are fewer additional properties and therefore this difference set out in 2.14 increases the budget gap)	46,223
Business Rates Baseline confirmed at £1.928m in the draft Finance Settlement as per 2.11 (previously estimated at £1.944m)	16,000
Increase in the cost pressure for 2020/21 for haulage and processing of waste and recyclable materials (net position), as set out in 2.15 to 2.19 above (cost pressure has increased from £65,000 to £95,000)	30,000
<b>Revised Budget Gap for 2020/21 as set out in this report (as at January 2020)</b>	<b>51,543</b>

2.21 **THE COMPONENTS MAKING UP A MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

The Diagram below sets out all of the component parts which constitute the make-up of a Medium Term Financial Strategy. Items in Green denote those elements where the Council has a large degree of control over the setting of policies and strategies. Items in Amber denote those components of the MTFS where the Council has a degree of control. Red items signal components where the Council has hardly any control over funding allocations which are decided by the Government and future cost pressures which can largely be outside of the Council's control or influence.

## Net Budget £8.8 million 2019/2020



2.22 The Medium Term Financial Strategy (MTFS) report was approved by Council in September 2019. A Budget update report was presented to the Executive on 31<sup>st</sup> October 2019 and reflected the following changes:-

- The provision for a pay award has been increased from 1% to 2% for each year of the Medium Term Financial Strategy. This is subject to national negotiation on an annual basis. The Medium Term Financial Strategy is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the financial planning of the Council.
- Two planning enforcement posts (the SHDC share of costs) have been included within the cost pressures.

### **New Homes Bonus (NHB)**

2.23 NHB will continue for 2020/21 for one year, with any funding beyond 2020/21 being subject to the next Spending Review. A replacement scheme will be consulted on in Spring 2020. For one year the Government will fund legacy payments and the baseline will remain at 0.4%. The baseline is the proportion of housing growth which is deducted as 'natural growth as such' before New Homes Bonus is paid to a Council – this is the equivalent of 179 properties for South Hams. So the Council receives no New Homes Bonus on the first 179 properties of property growth per year.

2.24 The Council's New Homes Bonus allocation for 2020/21 has been announced at £1,199,159. The financial modelling has included using

£500,000 of New Homes Bonus funding for 2020/21 to fund the revenue base budget and this has then been reduced to £350,000 in 2021/22 and £250,000 in 2022/23 for modelling purposes.

2.25 The table below sets out the current proposed use of New Homes Bonus funding for 2020/21:-

<b>NHB</b>	<b>Amount (£)</b>
New Homes Bonus 2020/21 estimated allocation	1,199,159
Current allocation:-	
To fund the Revenue Base Budget	(500,000)
Dartmoor National Park allocation*	TBA
Amount remaining unallocated**	699,159

\*Dartmoor National Park (DNP) – On an annual basis Dartmoor National Park request a share of the New Homes Bonus to reflect new homes delivered within the Park. The money is used to support a local community fund and, for example, joint work through the rural housing enabler. Members consider this on an annual basis as part of the Budget process. Allocations in previous years have been in the region of £20,000 to £30,000.

Members will be aware that this will be the last year of New Homes Bonus funding and the remaining amount unallocated may be required to:

- Fund the Revenue budget gap in 2020/21 or 2021/22\* and/or
- Fund the Capital Programme from 2021/22 onwards, as the Council has minimal predicted funding from capital receipts (from the sale of assets) in future years.

*(\*Note: the Council's financial modelling in Appendix A assumes that the Council will use £350,000 of funding from NHB or a similar replacement scheme in 2021/22 to fund its base budget. There is no guarantee that the Council will receive anything in future years from whatever scheme replaces the New Homes Bonus Scheme)*

#### **Pensions Strategy (Actuarial Valuation)**

2.26 The Council has taken specialist pension advice on the options for the Council's Pension position (informing the actuarial valuation), with the aim of reducing the current deficit contributions, increasing affordability, whilst best managing the pension deficit. Options were presented to the Council's Audit Committee on 31st January 2019. The preliminary results of the Triennial Pension Revaluation were received on 21<sup>st</sup> November 2019. The total pension contribution rates payable for employers consists of two elements, the primary rate and the secondary rate:

- **The primary rate** – this is the anticipated cost to the Council of the pension rights that members will accrue each year in the future. The



primary rate, or future service rate is expressed as a percentage of pensionable payroll. The primary rate, the employer's pension contribution rate is increasing by 2.2% for SHDC from 14.6% to 16.8% producing a cost pressure of £140,000 from 2020/21 until the next actuarial pension revaluation. The Devon Pension Fund in general is experiencing a 2% increase in the primary rate due to the change in financial assumptions.

An allowance of an additional 2% (£25,000) for the pension contributions for the externalised waste contract has also been built in for 2020/21 onwards.

- **The secondary rate** – this arises where the cost of pension rights that have already been accrued turn out to be higher than expected, resulting in a deficit. This happens where the Fund experience differs from previous assumptions, and so the contributions paid do not match the cost of the pension rights accrued during a previous period. The secondary rate, or deficit recovery rate is set as a cash figure.

2.27 The Council will no longer have a pension actuarial deficit as at 31.03.2019, resulting in a saving of £200,000 per annum in employer secondary rate contributions. There is now no need for the Council to pay any lump sum into the Pension Fund as SHDC's pension fund is in a small surplus position. The funding level and the movement in the Council's pension position following the Triennial Pension Revaluation is shown in the table below. The table shows that the Council's pension fund is 101.1% funded as at 31<sup>st</sup> March 2019, a small surplus position. Advice has been sought from the Actuaries in terms of whether the Council's primary rate could be reduced given this small surplus. However, the Actuaries advice is that this is only considered for employers where the surplus is 105% or more. This provides an allowance for experience going forward against the actuarial assumptions, with the aim of trying to make sure that employers who are 100% funded don't go back to a deficit position in future years.

#### Pension Revaluation Position for South Hams District Council

	<b>At 31 March 2016</b>	<b>At 31 March 2019</b>
	<b>£000</b>	<b>£000</b>
Assets	78,440	97,607
Liabilities	82,291	96,570
<b>Surplus/(Deficit)</b>	<b>(3,851)</b>	<b>1,037</b>
<b>Funding level</b>	<b>95.3%</b>	<b>101.1%</b>

A summary of all of the financial implications arising from the Pension Revaluation at 31.3.2019 is shown below:-

<b>Pension Revaluation 31.3.2019</b>	<b>Financial Impact</b>
<b>Increase in the primary rate -</b> i) the employer's pension contribution rate is increasing by 2.2% for SHDC from 14.6% to 16.8%	£140,000
ii) An allowance of an additional 2% (£25,000) for the pension contributions for the externalised waste contract has also been built in for 2020/21 onwards	£25,000
<b>Decrease in the secondary rate</b> iii) The Council will no longer have a pension actuarial deficit as at 31.03.2019, resulting in a saving of £200,000 per annum in employer secondary rate contributions.	(200,000)
<b>Overall saving from the Pension Revaluation at 31.3.2019</b>	<b>(35,000)</b>

Therefore the net budget impact is a saving of £35,000.

### **Treasury Management and Borrowing Strategy**

- 2.28 The Council has taken external treasury management advice on the Council's overall borrowing levels and debt levels. The Council set an Upper Limit on External Borrowing (for all Council services) as part of the Medium Term Financial Strategy of £75 million. In March 2019, the Council considered its Capital Strategy and Treasury Management Strategy which contained the new requirements issued by MHCLG in February 2018 of the new guidance. Members received training on the new requirements in November 2018.

### **Council Tax Support Grant (CTSG) for 2020/21 onwards**

- 2.29 At the Executive meeting on 31<sup>st</sup> October 2019, (Minute E.50/19) Members considered the results of the consultation exercise with Town and Parish Councils on the Council Tax Support Grant. It was resolved that Council be recommended to withdraw the Council Tax Support Grant from Town and Parish Councils with effect from 1 April 2020 by 50% per annum over the next two years as part of the budget process, in order to allow time for Town and Parish Councils to plan for the reduction in their budget setting processes. This has been approved by Council.

### **Results of the Members' Budget Survey 2019**

- 2.30 A Members' Budget Workshop was held on 7<sup>th</sup> November, Based on the results of the Members' Budget Survey the following changes have been reflected within this latest budget report:

- A **Climate Change Policy Officer** (a two year temporary post) has been included at a cost of £25,000 per annum (SHDC)

share). The Climate Change Action Plan was presented to Members at the December Council meeting. In order to deliver the Action Plan, a temporary 2 year post is recommended for a Climate Change Policy Officer. The post will be reviewed after year 2.

- The **Business Rates Pooling Gain** has been increased by £50,000 to £200,000 in 2020/21, in line with current forecasts for 2019/20.
- Following the **Triennial Pension Revaluation** the Council has been notified that it will have no actuarial pension deficit as at 31.3.2019, resulting in a saving of £200,000 per annum (see 2.26 and 2.27). There is now no need for the Council to pay any lump sum into the Pension Fund as SHDC's pension fund is in a small surplus position. However, the primary rate, the employer's pension contribution rate is increasing by 2.2% from 14.6% to 16.8% producing a cost pressure of £140,000 from 2020/21 until the next actuarial pension revaluation. The Devon Pension Fund in general is experiencing a 2% increase in the primary rate due to the change in financial assumptions. An allowance of an additional 2% (£25,000) for the pension contributions for the externalised waste contract has also been built in for 2020/21 onwards.
- An increase in **car parking pay and display fees** of 4% from 1<sup>st</sup> April 2020, generating £80,000 additional income per annum. Car parking charges were last increased in July 2018 by 2% (for the 2018/19 financial year). It is envisaged that this will be the only increase in car parking pay and display fees within this four year period of the Council. This is less than the anticipated inflation over the four years.
- **Commercial Investment Strategy** of £75,000 per annum. The Council has agreed a commercial investment strategy of up to £60 million. The Council is progressing various investment opportunities including the renewable energy sector. An income budget for 2020/21 of approximately £75,000 could be achieved (this would be the net return to the Council). This does not include projects on a later timescale where the Council is preparing to go out to public consultation such as Kingsbridge and Ivybridge.
- Additional **employment estates income** of £25,000 per annum. The 2018/19 and 2019/20 capital budgets included provisions for the development of 4 units in Ermington. The units are now complete and are in the process of being let. They are expected to generate a rental income of £25,000 p.a. when fully let.
- Additional **treasury management income** of £20,000 per annum.
- Additional **corporate consultancy income** of £10,000 per annum. The Council will look to attract more work from other

Councils. This would primarily be through us delivering consultancy or short term work activities rather than delivering full services. An example of this would be continuing the work on Disabled Facilities Grants for Torridge DC. The current budget for consultancy income is £20,000, so this would increase the income target to £30,000 for 2020/21.

- Additional planning income of £9,600 per annum from the introduction of a **premium planning service**. This service would involve the applicants paying an additional fee, over and above the statutory fee, in return for a set of specific actions/commitments with a view to getting an application determined faster than under the normal service. The additional income is based on an estimate of one application per month over the year. The service would not in any way influence the outcome of the decision making process. This option was only just supported by the majority of Members (55.56%) and one Member said that they would only support this option if the additional income was ring fenced to pay for an additional planning post.
- A reduction in **ICT contracts** of £12,000 per annum. Cancellation of the IEG4 Contract and implementation of the Northgate Citizen access portal would generate savings from 2020/21 of £12,000 (SHDC share), increasing to £24,000 a year from 2021/22.

2.31 The following items were not supported by the majority of Members in the Budget Survey and have therefore not been included in Appendix A:

- **A further resource for the Town Centres Strategy** – Some Members have made the point that some of this work could be encompassed within the Economy Officer role.
- **Increase car parking pay and display fees and transfer the additional income to an earmarked reserve to help fund installation of rapid electric charging points (on a larger scale, over and above grant funding already available)** – Members considered an option which looked at increasing car parking pay and display fees and transferring the additional income to an earmarked reserve to help fund investment in the installation of rapid electric charging points in the Council's car parks. Some Members made the point that the Council should be able to access government grant funding.

#### **Other Budget Ideas raised by Members in the Budget Survey**

2.32 One Member asked if we could research the model from Wigan Council around Assets Based Community Development. This was an item on the September 2019 Council agenda and shown below is an extract of the relevant minute:-

'This Council proposes that the Deputy Chief Executive and the Executive Lead for Communities together examine the benefits that

Assets Based Community Development could offer to South Hams DC and its communities and report back to Council within four months in order to determine the next steps'.

- 2.33 Another Member asked if the Council could investigate charging double for retrospective planning applications, as this was the case in Jersey. This idea has been looked at by the Head of Development Management Practice and the planning regulations which apply in England set out the planning charges at a national level and the Council does not have the ability to set fees locally. Different planning regulations apply in Jersey.
- 2.34 One Member suggested incentivising electric vehicles with free/reduced parking charges and providing storage/lock up facilities for bicycles and electric bike hire. In addition, another Member commented that they would support the 5% additional car park income but then offer a 4 hour free parking to electric vehicles parked in charging bays charging their cars.
- 2.35 This latest budget position includes a provision for the pay award of 2% per annum in line with the previous Medium Term Financial Strategy. This is subject to national negotiation on an annual basis. The Medium Term Financial Strategy is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the overall financial planning of the Council. The 2020/21 pay award is still being negotiated and therefore the pay award cost pressure might change once this has been agreed in the New Year.
- 2.36 In addition, three temporary housing posts (shared with West Devon Borough Council) have been proposed in this report to be made permanent, to be funded by the Flexible Homelessness Government grant funding, to provide stability of resource within the Council's Housing team. The SHDC share of costs is £48,700. This does not create a cost pressure on the 'bottom line' as the cost pressure is offset by the government grant income (both the cost and the income are budgeted for), therefore there is a neutral impact on the budget. The Government has reformed temporary accommodation finance through a flexible homeless support grant. There has also been financial recognition of the enormous additional burden placed on local authorities through the Homeless Reduction Act, meaning that the service has been able to continue delivering its statutory service, perform highly in preventing homelessness and reducing lengths of stays in temporary accommodation. The Council has robust homeless and rough sleeper prevention strategies which has meant the Council has prevented homelessness for 986 households since its inception in 2017. The short term nature of grant funding has meant the Council has only been able to offer short term contracts, and the Council has

used significant resource on the training and induction of staff, only to lose staff to our neighbouring Authorities when permanent positions have arisen. In order to provide stability of resource to really drive homeless prevention in our area, it is recommended that three housing posts are made permanent posts on the establishment, to be funded by flexible homelessness grant (Government grant funding).

2.37 Members' views are also sought on including an Economy post (shared with West Devon Borough Council) within the staffing establishment going forward, to be funded from the business rates pooling gains, to further drive the Council's economic aims and the Enterprise strategic theme, creating places for enterprise to thrive and business to grow. The cost of this post is expected to be £25,000 per annum (SHDC share). Currently, this cost has not been built in to Appendix A as a budget pressure for 2020/21 onwards. It is envisaged that this Economy post would:

- Put together bids for external funding and use Grantfinder to attract external grants
- Set up projects to support local business growth, create new jobs and improve local skills.
- Help to promote tourism and investment in the local region.
- Conduct research and analyse statistics.
- Build partnerships between local government, businesses and communities.
- Work in partnership with the Federation of Small Businesses (FSB).
- Advise businesses and community groups about available grants and funding.
- Work with the Local Enterprise Partnership on opportunities for funding.
- Promote our local area to attract new businesses and retain existing businesses through a targeted approach.
- Develop local economic development strategies and an action plan to implement them – assist with the Town Centre work.
- Help local businesses to become more competitive in finding new markets.

2.38 At the Executive meeting on 19<sup>th</sup> December 2019, Members considered future Partnership funding and grants. The relevant Minute (Minute 63) is attached below.

#### **Partnership Funding**

Members were presented with a report that provided feedback from each of the partners that the Council currently funded. Members were asked to consider the merits of each partner submission and decide which partners they would like to enter into a three year funding agreement with.

The Lead Members for Communities and Wellbeing introduced the report. Members had a detailed discussion on this item, and non-Executive Members were included in the debate. Whilst

acknowledging that these were to be subject of discussion during the draft 2020/21 Revenue Budget Setting process, the following recommendations reflect the decision of the Executive in respect of the partner submissions that were submitted. The total amount of funding allocated was £89,647. This amount was £7,000 less than the amount currently committed for partnership funding. Additional funds were recommended to support the Ivybridge Ring and Ride, and the SH CVS funding (£10,000) was recommended for withdrawal on the basis of a lack of clear financial information within their submission.

It was then:

**RESOLVED** that:

1. the feedback given by each partner as shown in presented Appendix A was considered based on
  - a. local need
  - b. alignment to the Council's Corporate Strategy
  - c. statutory duty; and
2. the following partners be awarded funding for the next three years of the following amounts per annum, subject to endorsement through the 2020/21 Revenue Budget setting process:
  - a) South Devon Area of Outstanding Natural Beauty Partnership - £20,700
  - b) South Hams Citizens Advice - £51,867
  - c) South Hams Community Volunteer Service - £0
  - d) Ivybridge Ring and Ride - £5,710
  - e) Totnes & Dartmouth Ring & Ride (Newton Abbot Community Transport Group) - £7,370
  - f) South West Youth Games - £0
  - g) South Hams Museums Group - £4,000

The total amount of funding allocated in the Executive meeting on 19<sup>th</sup> December 2019 was £89,647 as above. The current partnership funding in the base budget is £96,647. No changes to the partnership funding budget have yet been modelled as a saving in Appendix A or Appendix B, as Members made the point that any savings should be retained in an Earmarked Reserve for partnerships for the future.

### **3 BUDGET PRESSURES, SAVINGS AND INCOME GENERATION**

- 3.1 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.
- 3.2 **Appendix A** to the Medium Term Financial Position sets out the Budget Pressures forecast for the next five years and the additional savings and income forecast. ***These figures in Appendix A show the changes to the existing base budget.***

<b>(As set out in Appendix A)</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>	<b>2023/24 £</b>	<b>2024/25 £</b>
Cost Pressures	1,575,640	630,761	425,000	425,000	450,000
(Reduction)/ Increase in contribution to Earmarked Reserves	(53,700)	205,000	130,000	130,000	78,000
Savings and additional income	(914,477)	(446,220)	(179,196)	(12,100)	(2,100)

#### **4. OVERALL POSITION – BUDGET GAP**

4.1 Appendices A and B illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £8.8 million in 2019/20. A Summary forecast is shown below of the potential budget situation if all of the budget pressures and the savings and income generation in Appendix A were approved. It also shows the situation if Council Tax is increased by the higher of 1.99% or £5 (Appendix B).

4.2 The following table illustrates the predicted budget gap from 2020/21 onwards for the Council as shown in Appendix B:

<b>Cumulative Budget Gap</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>	<b>2023/24 £</b>	<b>2024/25 £</b>	<b>Total Aggregate Budget Gap £</b>
Modelling in Appendix B	51,543	606,374	684,467	917,657	1,136,846	3,396,887

4.3 In the Modelling in Appendix B, the total projected budget gap is £51,543 in 2020/21 and this is predicted to increase to £606,374 in 2021/22 (the £606,374 assumes the budget gap in 2020/21 of £51,543 has not been closed). The aggregated Budget Gap to 2024/25 is £3.4 million.



## 5 FINANCIAL SUSTAINABILITY AND TIMESCALES

5.1 The Council is progressing various options for closing the budget gap for 2020/21 onwards, to achieve long term financial sustainability. The table below sets out a timescale for those options and the various strands that the Council is exploring.

Option	Possible Budget Impact	Timescale
<p><b>Asset Review/ Corporate Property Strategy</b> There was a separate report on the Executive agenda in December 2018 for 'Commercial Development Opportunities'.</p>	<p>Initial income projections have been included within this budget report.</p>	<p>Regular updates will be provided to Members.</p>
<p><b>Car parking permits</b> On 31 October 2019, the Executive (Minute E.53/19) resolved that the sale of all new parking permits be ceased with immediate effect, pending a complete review of permits across the District. This will be the subject of a future Executive report.</p>	<p>To be quantified</p>	<p>During 2020/21</p>
<p><b>Strategic Accommodation Review</b> Members of the Accommodation Working Group are reviewing options. A report will be presented to a future meeting of the Executive. Currently West Devon Borough Council pays South Hams District Council £90,000 per year which reflects the cost of the shared service provision and the far greater footprint used at Follaton House for the provision of some frontline services (call centre) and all back office functions. Members at West Devon have requested that this annual payment is reviewed. The original figure of £90,000 was calculated in 2014 as part of the T18</p>	<p>To be quantified</p>	<p>By April 2020</p>

<b>Option</b>	<b>Possible Budget Impact</b>	<b>Timescale</b>
Transformation Programme business case. It is acknowledged that working practices have changed in the last 5 years and the review would look to address this. This work will be undertaken by April 2020.		
<p><b>Garden Waste charges</b></p> <p>The Council has the opportunity to charge for garden waste in the future. Based on a subscription level of £40 and a 20% participation rate, a net income of around £110k per annum is projected. In addition, there could be an operational saving of around £50k per annum. So there is a potential total saving of £160k. These figures are conservative estimates. A service change would not be anticipated until April 2021, as the Council could not introduce this service until after the September 2020 change-over to the Devon Aligned Service which separates the food from the garden waste collections, thus allowing for charging on garden waste (if this is the direction from Members) and the optimum time for any launch of chargeable garden waste would be at the start of the growing season.</p>	£160,000 of income per annum	From April 2021
<b>Funding Options</b>		
<p><b>Negative Revenue Support Grant</b></p> <p>Negative Revenue Support Grant (RSG) for 2020/21 of £400,000 will be eliminated by the Government for one year.</p>	Negative RSG of £400,000 for 2021/22 onwards has been built into this budget report.	It is assumed that negative RSG of £400,000 will be deferred for one year until 2021/22.
<p><b>New Homes Bonus allocations for 2020/21 onwards</b></p> <p>The Government has stated that 2020/21 represents the final year of NHB funding and from 2021 onwards they will explore how to incentivise</p>	To be assessed	Awaiting further announcements from the Government

Option	Possible Budget Impact	Timescale
<p>housing growth most effectively and will consult on this issue.</p> <p>The financial modelling has included using £500,000 of New Homes Bonus funding for 2020/21 to fund the revenue base budget and this has then been reduced to £350,000 in 2021/22 and £250,000 in 2022/23 for modelling purposes</p> <p>It is not known what NHB allocations (or a similar scheme) will be in future years when the NHB scheme is replaced. This remains a risk for the Council.</p>	<p>It is not known what NHB allocations (or a similar scheme) will be in future years when the NHB scheme is replaced.</p>	<p>A replacement scheme for NHB will be consulted on by the Government in the Spring of 2020</p>
<p><b>Use of Reserves as a temporary measure</b></p> <p>The Council could temporarily utilise Reserves to balance an element of the 2020/21 budget, whilst longer term solutions are being implemented. This would be a very short term solution though.</p> <p>The current levels of Reserves are £1.9 million Unearmarked Reserves and Earmarked Reserves of £13.3 million.</p>	<p>To be Assessed</p>	<p>To be decided as part of the Budget Process</p>

## 6. CAPITAL PROGRAMME AND PRUDENTIAL BORROWING

6.1 The Capital Programme is set by the Council annually and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing. The Capital Budget Proposals for 2020/21 are a separate report on this agenda. This sets out a Proposed Capital Programme for 2020/21 of £3.77 million and the sources of funding for the Capital Programme.

6.2 **Commercial Property Acquisition Strategy** – The Council has agreed a commercial property acquisition strategy of up to £60 million. In July 2019, the Executive considered reports on the Kingsbridge hotel, Ivybridge Regeneration and Dartmouth Health and Wellbeing Hub development. Consultation on the Kingsbridge and Ivybridge schemes will be taking place in the New Year and stakeholders e.g. Members, residents, businesses, will be made aware of how to engage in the consultation process.

- 6.3 Purchases made within the strategy will be capital expenditure. A report on the updated Commercial Investment Strategy to include the renewable energy sector was a separate report on the July 2019 Executive agenda. The Council is progressing work on the business case for the renewable energy sector.
- 6.4 The Council's Asset Base is £91 million at 31 March 2019. The Council will continually review and challenge its asset base in order to deliver the optimum value for money from the Council's Assets.
- 6.5 **Prudential Borrowing** - The Council will consider the use of prudential borrowing to support capital investment to deliver services and will ensure that the full costs of borrowing are taken into account when investment decisions are made.
- 6.6 Public Works Loans Board (PWLB) borrowing – On 9<sup>th</sup> October the Council received notification that overnight, the PWLB borrowing rate had increased by 1% across all of their loans which are available. This was without any prior notice and this dramatic increase overnight is unprecedented in years gone by. For example 50 year borrowing is now 3% interest rate (previously just under 2%). This only affects new loans taken out and this doesn't affect loans taken out in the past e.g. for leisure. The Council is assessing the impact on all of its business cases which involve external borrowing. It is thought that other market providers e.g. bank and pension funds will look to offer products that are at a more competitive rate than the current PWLB offering.
- 6.7 An overall Borrowing Limit (£75 million) has been approved as part of the Medium Term Financial Strategy, with £60 million being for the Commercial Property Strategy and £15 million for other borrowing requirements.
- 7. Earmarked and Unearmarked Reserves**
- 7.1 The current levels of Reserves are £1.9 million Unearmarked Reserves and Earmarked Reserves of £13.3 million. The Council's Net Budget is £8.83 million for 2019/20. Therefore Unearmarked Reserves equate to 21.5% of the Council's Net Budget. A full list of Earmarked Reserves and the projected balances as at 31<sup>st</sup> March 2020 is attached at Appendix C.
- 7.2 There are some small historic earmarked reserves e.g. the Innovation Fund (Invest to Earn) which has a balance of £2,000, which will be recommended as part of the February 2020 budget report to be amalgamated back into general unearmarked reserves.
- 7.3 As part of the 2020/21 budget setting process it has been identified that the annual contribution to the Repairs and Maintenance Reserve of £55,000 has not been increased since 2009/10. Therefore it is proposed to increase this contribution by £25,000 in 2020/21 to

£80,000, and then a further £25,000 amounting to an annual contribution of £105,000 from 2021/22 onwards. This will bring the contribution in line with current demand and will also allow for money to be put aside for the roofs at Garden Mill Industrial Estate in Kingsbridge.

**8. Budget Monitoring**

8.1 The latest Quarter 2 Revenue Budget Monitoring position showed that actual net revenue expenditure is forecast to be under budget by £37,000 when compared against the total budget set for 2019/20.

**9. Fees and Charges**

9.1 At the Overview and Scrutiny Panel on 17<sup>th</sup> October 2019 (Minute ref. 37) Members considered the review of fees and charges for 2020/21. The changes proposed for 2020/21 onwards will generate additional income of £4,100 per annum in respect of boat storage charges (£2,000) and S257 footpath diversion orders (£2,100). These additional income targets have been built into Appendix A.

**10. Senior Leadership Team/Extended Leadership Team restructure**

10.1 The report to Council on 18th July requested that the Chief Executive review and implement changes to the Extended Leadership Team (ELT) by December 2019. The annual savings (SHDC share) from the SLT and ELT staff restructure are £94,000 per annum (This is made up of £34,000 from the Interim arrangements and a further £60,000 from the restructure). There are estimated to be some one-off redundancy and pension strain costs associated with the restructure and an amount of £25,000 for three years has been budgeted for as a cost pressure.

**11 NEXT STEPS**

11.1 This report is a snapshot (a position statement) in January 2020 and future Member decisions on the budget strategy will inform future budget reports.

The table below shows the budget timetable for the future budget meetings for the 2020/21 Budget.

6 <sup>th</sup> February 2020	Executive – To recommend Final Budget Proposals to Council for 2020/21
<b>Monday 10th February 2020 (9am)</b>	<b>Date for receipt of a motion or amendment in relation to the Budget</b>
13th February 2020	Full Council – To approve Final Budget

	Proposals for 2020/21 and set the SHDC share of the Council Tax
21st February 2020	Council Tax Resolution Panel – to agree the Council Tax Resolution for 2020/21 (This is SHDC share plus all other precepting authorities share).

**Note 1-** The Constitution states that ‘Where a member intends to move a motion or amendment in relation to the Budget, the text of that motion or amendment must be put in writing and submitted to the Head of Paid Service by 9am on the third working day before the meeting, in order that officers may have sufficient time to consider and advise the Council of the financial implications of any such motion or amendment’. As per the timetable above, this would need to be submitted by 9am on Monday 10<sup>th</sup> February 2020.

## 12. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Executive is responsible is responsible for recommending to Council the budgetary framework. It is the role of the Joint Development Management Committee and Overview and Scrutiny Panel to scrutinise the Budget proposals being proposed by the Council on an annual basis. In accordance with the Financial Procedure Rules, Council must decide the general level of Reserves and the use of Earmarked Reserves.</p> <p>The preparation of the Budget annually is evidence that the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p>
Financial Implications to include reference to value for money	Y	In the Modelling in Appendix B, the total projected budget gap is £51,543 in 2020/21 and this is predicted to increase to £606,374 in 2021/22 (the £606,374 assumes the budget gap in 2020/21 of £51,543 has not been closed). The aggregated

		Budget Gap to 2024/25 is £3.4 million.
Risk	Y	Each of the budget options taken forward by Members will consider the risks of the option.
Supporting Corporate Strategy	Y	The Budget report supports all six of the Corporate Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.
Climate Change - Carbon / Biodiversity Impact	Y	A Climate Change Action Plan was presented to Council in December 2019.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	Equality Impact Assessments are completed for the budget proposals.
Safeguarding	N	None directly arising from this report.
Community Safety, Crime and Disorder	N	None directly arising from this report.
Health, Safety and Wellbeing	N	None directly arising from this report.
Other implications	N	None directly arising from this report.

### Supporting Information

Appendices:

Appendix A – Budget pressures and savings

Appendix B – Modelling of the Budget (MTFS) Position

Appendix C – Schedule of Reserves (Unearmarked and Earmarked)

Appendix D – Contributions to/(from) Earmarked Reserves

### Background Papers

Executive – 19<sup>th</sup> September 2019 – Medium Term Financial Strategy 2020/21 to 2024/25

Council – 26<sup>th</sup> September 2019 - Medium Term Financial Strategy 2020/21 to 2024/25

Executive – 31<sup>st</sup> October 2019 – Budget update report for 2020/21 onwards

Executive – 19<sup>th</sup> December 2019 – Budget update report for 2020/21 onwards

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**BUDGET PROPOSALS 2020/21 JANUARY 2020**  
**(This shows the changes to the existing Base Budget)**

**APPENDIX A**

	<b>BASE 2019/20</b>	<b>Yr1 2020/21</b>	<b>Yr2 2021/22</b>	<b>Yr3 2022/23</b>	<b>Yr 4 2023/24</b>	<b>Yr 5 2024/25</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>BUDGET PRESSURES</b>						
Inflation and increases on goods and services	220,000	110,000	110,000	110,000	110,000	110,000
Torr Quarry Transfer Station	142,500					
Triennial Pension revaluation (increase in Pension Employer primary rate contributions)		140,000				
Salaries - provision for pay award at 2% for 20/21 onwards	280,000	140,000	140,000	140,000	140,000	140,000
Waste collection, recycling and cleansing contract (estimate)		130,000	130,000	130,000	130,000	130,000
National Living Wage and National Insurance	50,000	70,000	70,000	70,000	70,000	70,000
Two planning enforcement officers (SHDC share of the cost - Council September 19)	29,000	50,078				
Employer's pension costs - Waste collection, recycling and cleansing contract	290,000	25,000				
Depot annualised costs - Waste collection, recycling and cleansing contract	22,200	60,762	60,761			
Devon aligned service for waste		175,000	175,000			
Implementation costs for Devon aligned service for waste (one-off) This is additional staffing support for implementation such as roadshows, communications and customer services support.		125,000	(125,000)			
Reduction in recycling income	125,000	95,000				
Blue and Clear recycling bag processing (safe working practice requirement)	75,000					
Haulage contract	60,000					
Reduction in Housing Benefit administration subsidy and Council Tax Support Admin Grant	15,000					
Car parking costs - collection fees	25,000					
ICT future service provision		150,000				
ICT support contracts - increase the budget to better align to actual expenditure	50,000					
Housing Benefit overpayment recoveries		100,000	70,000			
Payment collection expenses		25,000				
Maintenance of trees		40,000				
Climate Change Policy Officer (SHDC share of cost - 2 year temporary post)		25,000		(25,000)		
Housing Posts (make three temporary posts permanent - SHDC share of costs - to be funded by Government grant - Flexible Homelessness Grant funding)		48,700				
SLT/ELT Restructure - redundancy/pension strain costs		25,000			(25,000)	
Dartmouth Ferry - management recharge from Salcombe Harbour		21,100				
Large and hazardous fly tipping costs (outside of the FCC contract)		20,000				
<b>TOTAL BUDGET PRESSURES</b>	<b>1,383,700</b>	<b>1,575,640</b>	<b>630,761</b>	<b>425,000</b>	<b>425,000</b>	<b>450,000</b>
<b>Changes to contributions to Earmarked Reserves</b>						
Reduce the contribution from the New Homes Bonus Reserve (assumes a contribution of £500,000 in 2019/20 and 2020/21 with reduced contributions from 2021/22 onwards from any replacement NHB scheme)	141,084		150,000	100,000	100,000	50,000
Vehicle Fleet Replacement Reserve (Council 6th December 2018)	60,000					
Contribution to Economic Regeneration Projects Reserve (Business Rates Pilot gain). This contribution is one-off for 2018/19 only.	(475,000)					
Reduce contribution to Land and Development Reserve	(43,000)					
Dartmouth Ferry - increase annual contribution to £235,000 by 2024/25		30,000	30,000	30,000	30,000	28,000
Transformation Project (T18) - Approved at 11 December 2014 Council Contribution to Strategic Change Reserve to meet pension strain costs	(150,000)	(60,000)				
Repairs and Maintenance Reserve - increase annual contribution from £55,000 to £80,000 in 2020/21 and £105,000 from 2021/22		25,000	25,000			
Contribution from the Flexible Homelessness Government Grant for three housing posts (SHDC share of costs)		(48,700)				
<b>Total changes in contributions to Earmarked Reserves (as per Appendix D)</b>	<b>(466,916)</b>	<b>(53,700)</b>	<b>205,000</b>	<b>130,000</b>	<b>130,000</b>	<b>78,000</b>

**BUDGET PROPOSALS 2020/21 JANUARY 2020**  
**(This shows the changes to the existing Base Budget)**

**APPENDIX A**

<b>SAVINGS AND INCOME GENERATION IDENTIFIED</b>	<b>Yr1 2019/20 £</b>	<b>Yr2 2020/21 £</b>	<b>Yr3 2021/22 £</b>	<b>Yr 4 2022/23 £</b>	<b>Yr 5 2023/24 £</b>	<b>Yr 5 2023/24 £</b>
Boat Storage Charges (as per Fees and Charges report)	(3,000)					
Duty Planning - charged appointment basis (as per Fees and Charges report)	(9,000)					
Savings from re-procurement of contracts (e.g. leisure contract)	(22,000)	(165,000)	(65,000)	(116,000)	0	
Procurement of waste collection, recycling and cleansing contract (Note - The employer's pension costs of £290,000, the depot annualised costs of £22,200 and the increase to the Vehicle Earmarked Reserve of £60,000 are deducted from this figure to show the total net annual saving as per the report to Council on 6th December 2018)	(658,351)	(129,674)	(129,672)			
Income from Commercial Developments (Executive 13/12/18)			(115,911)	(41,096)		
Planning fee income	(40,000)					
Dartmouth Lower Ferry	(25,000)					
Public Conveniences - Pay on Entry, contributions and transfer to Parish Council/ closure 1.9.2019 where agreement has not been reached for transfer - Includes rate relief from 2021 - Savings as set out in the Executive report 22nd November 2018. Figures have been updated to reflect the proposals set out within the Public Conveniences update report to the Executive on 19th December 2019	(118,275)	(55,203)	(54,537)			
Other budget savings (cessation of Communities Together Fund)	(7,000)					
Reduce partnership grant funding to the CVS (£12,600) and South Devon AONB (£9,700)	(22,300)					
Advertising on website and e-bulletins	(3,500)					
Corporate consultancy income	(20,000)					
Energy Certificate for Eco Schemes	(10,000)					
Food and Health and Safety advice	(3,000)					
Increase investment in CCLA from £1.5m to £3.5m (treasury management income) - Appendix F	(60,000)					
Dartmouth Park and Ride - charging review			(30,000)	(20,000)	(10,000)	
Senior Leadership Team - Interim arrangement (£34,000) - Restructure (£60,000) as per July 2019 Council report - a total of £94,000	(34,000)	(60,000)				
Review ICT contracts	(10,300)	(6,300)				
Review cleaning contract Follaton	(5,000)					
Vehicle Trackers	(2,900)					
Digital Downloads of Planning applications	(3,500)	(3,500)				
Implement e-billing for Council Tax	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)
Council Tax Support Grant - proposal to reduce by 50% per annum over two years	(8,000)	(37,000)	(37,000)			
Car parking pay & display fees - increase by 4%		(80,000)				
Commercial Investment Strategy		(75,000)				
Employment Estates income		(25,000)				
Treasury Management income		(20,000)				
Corporate Consultancy income		(10,000)				
Premium Planning Service		(9,600)				
Cancellation of the IEG4 Contract & implementation of the Northgate Citizen access portal		(12,000)	(12,000)			
Review of fees and charges - boat storage fees (£2,000) and S257 footpath diversion orders (£2,100)		(4,100)				
Dartmouth Lower Ferry income		(20,000)				
Triennial Pension Revaluation - no secondary pension contributions payable due to the pension Deficit being Nil at 31.3.2019		(200,000)				
<b>TOTAL SAVINGS AND INCOME GENERATION</b>	<b>(1,067,226)</b>	<b>(914,477)</b>	<b>(446,220)</b>	<b>(179,196)</b>	<b>(12,100)</b>	<b>(2,100)</b>

Line No.	Appendix B - Council Tax is increased by the higher of £5 or 1.99% each year Modelling for the financial years 2020/21 onwards	BASE 2019/20 £	Yr 1 2020/21 £	Yr 2 2021/22 £	Yr 3 2022/23 £	Yr 4 2023/24 £	Yr 5 2024/25 £
1	Base budget brought forward	8,983,194	8,832,752	9,388,672	9,223,382	9,521,093	9,830,803
2	Budget pressures (as per Appendix A)	1,383,700	1,575,640	630,761	425,000	425,000	450,000
3	Savings already identified (as per Appendix A)	(1,067,226)	(914,477)	(446,220)	(179,196)	(12,100)	(2,100)
4	Changes in contributions to Earmarked Reserves (App A)	(466,916)	(53,700)	205,000	130,000	130,000	78,000
5	<b>Projected Net Expenditure:</b>	<b>8,832,752</b>	<b>9,440,215</b>	<b>9,778,213</b>	<b>9,599,186</b>	<b>10,063,993</b>	<b>10,356,703</b>
	<b>Funded By:-</b> (See Note 1 below regarding New Homes Bonus funding)						
6	<b>Council Tax income</b> - Modelling a £5 increase in 2020/21	6,315,689	6,562,617	6,825,327	7,092,038	7,362,748	7,637,459
7	Collection Fund Surplus	112,000	60,000	100,000	100,000	100,000	100,000
8	Localised Business Rates (baseline funding level)	1,897,008	1,928,000	1,960,000	1,991,000	2,030,000	2,062,000
9	Tariff/Top Up Adjustment amount (negative RSG- assumes withdrawn for 20/21)			(400,000)	(400,000)	(400,000)	(400,000)
10	Business Rates Pooling Gain	100,000	200,000	100,000	100,000	100,000	100,000
11	Business Rates - amount achieved over the Baseline funding level		230,000	230,000	230,000	230,000	230,000
12	Rural Services Delivery Grant	408,055	408,055	408,055	408,055	408,055	408,055
13	<b>Total Projected Funding Sources</b>	<b>8,832,752</b>	<b>9,388,672</b>	<b>9,223,382</b>	<b>9,521,093</b>	<b>9,830,803</b>	<b>10,137,514</b>
	<b>Budget Gap per year</b>						
14	(Projected Expenditure line 5 - Projected Funding line 13)	0	51,543	554,831	78,093	233,190	219,189
	<b>Actual Predicted Cumulative Budget Gap</b>	0	51,543	606,374	684,467	917,657	1,136,846
	<b>Aggregated Budget Gap (if no action is taken in each individual year to close the budget gap annually)</b>	0	51,543	657,917	1,342,384	2,260,041	3,396,887
	<b>Modelling Assumptions:</b>						
	Council Tax (Band D) (Modelling the higher of £5 or a 1.99% increase)	165.42	170.42	175.42	180.42	185.42	190.42
	Council Tax Base (Assumes an increase in Band D Equivalent properties of 400 per annum)	38,179.72	38,508.49	38,908.49	39,308.49	39,708.49	40,108.49

**Note 1 - New Homes Bonus Funding**

The modelling for 2020/21 includes a contribution of £500,000 from New Homes Bonus (NHB) funding to fund the Base Budget. Appendix A shows the movement between years of the funding from NHB. Funding will reduce from 2021/22 onwards from any equivalent contribution from a replacement NHB scheme.

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RESERVES - PROJECTED BALANCES (EXCLUDES SALCOMBE HARBOUR)						APPENDIX C
	Cost Centre	Opening balance 01.04.2019 £000s	Additions to Reserve 2019/20 £000s	Predicted Spend 2019/20 £000s	Projected balance 31.03.2020 £000s	Comments
<b>EARMARKED RESERVES</b>						
<b>Specific Reserves - General Fund</b>						
Capital Programme	S0820	(84)	(453)	453	(84)	Transfer to R & M Reserve £80k for Follaton roof and lift, 17/18 Capital Programme £30k, Kingsbridge Quay Master Plan Stage 2a, 18/19 Capital Programme £204k, 19/20 Capital Programme £140k
Revenue Grants	S0821	(578)	0	58	(520)	This reserve comprises of government grants received for specific initiatives or new burdens and are held in the reserve for accounting purposes
Affordable Housing	S0822	(988)	0	910	(78)	Funding of Capital Programme Commitments
Renovation Grant Reserve	S0823	(7)	0	0	(7)	Comprises proceeds from repayments
New Homes Bonus	S0804	(1,155)	0	919	(236)	Commitments as per 19/20 budget report approved at Council on 21/2/19 (£500k to fund the Revenue Base Budget in 19/20). This funding is all committed to capital projects.
Community Parks and Open Spaces	S0826	(107)	(17)	95	(29)	South Devon Tennis Courts, Follaton Arboretum
Repairs & Maintenance	S0827	(45)	(148)	71	(122)	Coronation Road toilets (O&S 38/18), Bigbury toilets replacement hand dryers £11k and improvements to mobile phone signal at Follaton House - £80,000 contribution into the reserve from the Capital Programme Reserve for Follaton Roof and Lift
Marine Infrastructure	S0828	(210)	(58)	200	(68)	Baston Harbour Workshops as per 19/20 Capital Programme (E.70/18)
Land and Development	S0829	(94)	(121)	76	(139)	Commitments include the balance of the land transfer to Dartmouth Town Council £12k, feasibility studies £14k, and £50k earmarked for Council Owned Asset Investment and Development E.08/18.
Dartmouth Ferry Repairs & Renewals	S0830	(455)	(87)	214	(328)	Fleet refurbishment £74k (includes £40k recommended in this report) engineering works at Dartmouth Lower Ferry Workshops (health & safety urgent works) £120k.
Homelessness Prevention	S0851	(112)	0	0	(112)	
Economic Initiatives	S0831	(27)	0	21	(6)	RDP Local Action £16.4k South West LEP £5k
Vehicles & Plant Renewals	S0832	(1,264)	(550)	617	(1,197)	Fleet Replacement Programme
Pay & Display Equipment Renewals	S0833	(123)	(21)	0	(144)	
On-Street Parking	S0834	(44)	0	0	(44)	
Strategic Change Reserve (T18)	S0849	0	(60)	60	0	T18 Pension Strain
ICT Development	S0836	(126)	(50)	53	(123)	Replacement Member laptops £16k, Netcall Liberty software upgrade £13k, Devon WAN upgrade £10k
Sustainable Waste Management	S0837	(29)	(25)	54	0	
District Elections	S0838	(78)	(10)	0	(88)	
Beach Safety	S0839	(14)	0	0	(14)	
Planning Policy & Major Developments	S0840	(125)	(50)	17	(158)	Commitment relates to Enforcement officers E.39/19
Section 106 Deposits	S0842	(38)	0	0	(38)	Comprises deposits with no repayment conditions - created as a result of IFRS
Members Sustainable Community Locality	S0846	(6)	0	0	(6)	
Innovation Fund (Invest to Earn)	S0850	(17)	0	15	(2)	Commitment relates to the development of Admiral Court, Dartmouth (Executive 16/6/16)
Community Housing Fund	S0854	(1,285)	0	300	(985)	This reserve holds the remaining balance of the Community Housing Fund grant received in 2016/17 of just under £1.9m (Government grant). This is partly earmarked for consultancy costs for future and existing schemes.
Support Services Trading	S0856	(43)	0	0	(43)	
Leisure Services	S0858	(57)	0	57	0	Prudential borrowing costs
Environmental Health Initiatives	S0857	(20)	0	11	(9)	Commitment for a temporary student post
Economic Regeneration Initiatives (Business Rates pilot gain 2018/19)	S0858	(379)	0	100	(279)	This reserve was created to hold the 2018/19 Business Rates Pilot gain. The commitments includes amounts earmarked for Council Owned Asset Investment and Development E.08/18, and for Commercial Development opportunities E.62/18.
Section 106 Monitoring	S0929	(124)	0	14	(110)	
Joint Local Plan	S0860	(31)	0	0	(31)	New reserve for Joint Local Plan Funding
S106 Technical Support	S0862	(20)	0	0	(20)	
<b>Sub Total excluding the Business Rates Reserve</b>		<b>(7,685)</b>	<b>(1,650)</b>	<b>4,315</b>	<b>(5,020)</b>	
Business Rates Retention	S0824	(5,114)	0	0	(5,114)	This relates to a timing issue on the accounting adjustments required for the localisation of business rates. This reserve also deals with any volatility in Business Rate income e.g. due to appeals. An amount of £3.5m has been ringfenced for Employment for the creation of local jobs (Council February 2018). It was agreed by Council to fund the acquisition of 10 acres of employment land at Sherford from this reserve. On 31 October 2019 the Executive recommended to Council to use up to £200k to fund the cost of extending the lease of the starter units at Langage from 21 years to 125 years, funded from this reserve.
<b>TOTAL EARMARKED RESERVES</b>		<b>(12,799)</b>	<b>(1,650)</b>	<b>4,315</b>	<b>(10,134)</b>	
<b>TOTAL UNEARMARKED RESERVES (General Fund Balance)</b>		<b>(1,898)</b>		<b>(37)</b>	<b>(1,935)</b>	Projected underspend of £37,000 for 2019/20
<b>TOTAL REVENUE RESERVES (EARMARKED AND UNEARMARKED RESERVES)</b>		<b>(14,697)</b>	<b>(1,650)</b>	<b>4,278</b>	<b>(12,069)</b>	

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## ANALYSIS OF CONTRIBUTIONS TO/(FROM) EARMARKED RESERVES

Estimate 2019/20			Estimate 2020/21			Estimate 2021/22		
To £	(From) £		To £	(From) £		To £	(From) £	
181,600		Capital Programme	181,600			181,600		
16,900		Community Parks & Open Spaces	16,900			16,900		
10,000		District Elections	10,000			10,000		
87,000		Ferry major repairs & renewals	117,000			147,000		
	(500,000)	New Homes Bonus (replacement scheme in 21/22)		(500,000)			(350,000)	
	0	Flexible Homelessness Gov Grant		(48,700)			(48,700)	
20,800		Pay & Display Equipment	20,800			20,800		
99,000		Pension Fund Strain Payments	99,000			99,000		
55,000		Repairs and maintenance	80,000			105,000		
60,000		Strategic Change Reserve	0			0		
550,000		Vehicles & Plant Renewals	550,000			550,000		
7,000		Land and Development Reserve	7,000			7,000		
50,000		IT Development Reserve	50,000			50,000		
25,000		Sustainable Waste Management	25,000			25,000		
50,000		Planning Policy and Major Development	50,000			50,000		
2,000		Interest credited to reserves	2,000			2,000		
1,214,300	(500,000)	<b>TOTALS</b>	1,209,300	(548,700)		1,264,300	(398,700)	
<b>714,300</b>		<b>GRAND TOTAL</b>	<b>660,600</b>			<b>865,600</b>		

Note: The movement between the two years (£714,300 less £660,600) equates to the (£53,700) shown in Appendix A in 'Total changes in contributions to Earmarked Reserves' for 2020/21.

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## **NOT FOR PUBLICATION**

This report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (applies to Appendix B only)

Report to: **Joint Development Management Committee and Overview & Scrutiny Panel**

Date: **23 January 2020**

Title: **Capital Budget Proposals for 2020/21**

Portfolio Area: **Budget Proposals – Cllr Pearce**

Wards Affected: **All**

Dates next steps can be taken: 6<sup>th</sup> February 2020

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Lisa Buckle** Role: **Corporate Director for Strategic Finance (S151 Officer)**

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### **RECOMMENDATIONS:**

**The views of the Joint Development Management Committee and Overview and Scrutiny Panel are sought on the following:**

- a) The Capital Programme Proposals for 2020/21, which total £2,480,000 (Appendix A);**
- b) The content of the Capital Programme Proposals for 2020/21, which total £1,250,000 (Exempt Appendix B); and**
- c) The proposed financing of the 2020/21 Capital Programme of £3,730,000 from the funding sources set out in Section 4.**

## **1. Executive summary**

- 1.1** The report sets out the Capital Bids to the 2020/21 Capital Programme totalling £3,730,000 and a suggested way that these Bids can be funded. All items in this proposed Capital Programme are based on budget estimates and will be subject to the normal project appraisal procedures.
- 1.2** The Council has limited resources, in the form of capital receipts, to fund Capital Projects in 2020/21.

Consideration needs to be given to the funding options for the 2020/21 Capital Programme. The Capital Programme is set by the Council and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing.

- 1.3** The Prudential Code for capital, which came into effect from 1<sup>st</sup> April 2004, replaced the previous Government regulated limits on capital expenditure and borrowing. In its place Councils now have the power to determine their own appropriate levels of capital expenditure and borrowing for capital purposes, based on the principles of affordability, prudence and sustainability.
- 1.4** The Code requires the Council, in setting its capital spending plans, to assess the impact on its revenue account and council tax levels. Section 4 demonstrates that there are sufficient capital funds (which includes PWLB borrowing mainly for commercial acquisitions) in 2020/21 to fund the bids which have been submitted by project officers within the Council.

## **2. Background**

- 2.1** The capital programme for 2019/20 was approved by Council on 21 February 2019 (54/18 and E.72/18 refer).
- 2.2** A new Capital Programme is proposed for 2020/21. The Head of Finance Practice invited bids for capital funding from all service areas, for a new capital programme during September 2019 on the strict proviso that all bids must go towards meeting a strategic priority. All capital bids received would be ranked against a prescribed priority criteria set out in the bid process.

**2.3** The submitted capital bids have now been assessed against the categories in each priority. Priority I categories include meeting strategic priorities and statutory obligations (e.g. Health and Safety, DDA etc) and other capital works required to ensure the existing Council property assets remain open. Priority 2 categories link to good asset management whereby the capital work proposed would either generate capital/revenue income or reduce revenue spending. A capital bid that will enable rationalised service delivery or improvement is also considered a Priority 2 category to meet the Council's aims and objectives.

**2.4** The programme outlines the principles of the projects proposed for capital expenditure and includes an estimate of predicted costs including fees. All projects will be subject to project appraisals as required under the Council's Asset Strategy.

### **3. Outcomes/outputs**

Members are requested to give their views on the proposals for the Capital Programme for 2019/20. Appendix A and exempt Appendix B set out the bids which total £3,730,000.

#### **3.1 Capital Programme 2020/21**

##### **3.2 Play Parks – replacement of play equipment**

A capital budget of £140,000 is required in 2020/21. Contracts have been awarded for the supply and installation of play equipment at eight play areas across the South Hams. The play areas in question are all in need of replacement/upgrading and the primary objective is to secure the design of attractive, imaginative and low maintenance new play spaces making best use of the sites.

This project marks the first phase of an improvement scheme of SHDC owned play areas agreed by the SHDC Public Spaces Working Group. 2020/21 will be year 3 of a three year programme as shown below:

Capital budget for Play Parks (2017/2018 and 2019/20 approved, 2020/21 budget to be confirmed)

<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
£190,000	Nil	£190,000	£140,000	<b>£520,000</b>

There are currently commitments totalling £380,000 against the play parks budget to date.

### **3.3 Follaton House – roof repairs**

The proposed capital programme includes a contribution of £50,000 into a reserve for Follaton House roof repairs. £50,000 per annum is transferred to this fund which has a current balance of £200,000.

Roofing repairs are required on the Old House which includes the localised replacement of defective slate and lead valleys. Defective guttering on Phases 1, 2 and 3 also needs replacing.

### **3.4 Follaton House – Replacement Lifts**

The proposed capital programme includes a contribution of £30,000 into a reserve for replacing lifts at Follaton House. The balance in this fund is £30,000, 2019/20 being the first year.

There are two lifts which are maintained under contract and regularly serviced. They are increasingly requiring repair and lift engineers have advised that parts are becoming increasingly obsolete. Replacements will be required in the next few years.

### **3.5 New Waste Containers**

A report on Frontline Services (Waste and Cleansing Procurement) was presented to Council in December 2018. Containers are required for the Devon aligned service which will be implemented in September 2020. This budget has already been approved by Members and has been included here for completeness (Minute C41/18 refers).

### **3.6 Waste Fleet Replacement**

A report on Frontline Services (Waste and Cleansing Procurement) was presented to Council in December 2018. The Waste Fleet is a Council asset which is maintained and repaired by the Waste Contractor, FCC. The Council and FCC liaise over the timing of purchasing vehicle replacements. Contributions are made into the Vehicle Replacement Reserve annually and are sufficient to fund all replacements until the end of the contract term. The proposed capital programme includes the annual contribution of £550,000. This budget has already been approved by Members and has been included here for completeness (Minute C41/18 refers).

A climate change action plan was presented to Members at the Council meeting on 19<sup>th</sup> December, 2019. This action plan includes future considerations around the Council's fleet.

### **3.7 New Sub Lift at Salcombe**

The 2018/19 and 2019/20 capital budgets included a contribution into a reserve towards the purchase of a new sub lift. The proposed capital programme includes a further contribution in 2020/21 when sufficient funds will be available to purchase the sub lift.

### **3.8 Steamer Quay, Totnes – Office Development**

A capital budget was approved in 2019/20 for a new office development at Steamer Quay, Totnes with a proposal for additional funds in the 2020/21 capital budget. Architects are currently working up a design during the pre application process.

### **3.9 Batson, Salcombe - Harbour Workshop**

In 2019/20 a capital budget was approved for a new Harbour workshop at Batson with a proposal for additional funds in the 2020/21 capital budget.

In 2019 SHDC gained planning permission for the creation of a new harbour master's depot to be located within the Batson Quay Car Park, Salcombe.

The new harbour depot facility will accommodate workshops to allow the Authority's staff to undertake regular maintenance and repair of their vessels. The depot will facilitate the Authority's ability to organise and monitor all harbour-based activities, such as checking moorings, ensuring safety and the maintenance of existing marina facilities.

Final costs exceed the total of the budget allocation from 2019/20 and the proposed amount for 2020/21. The decision has therefore been taken to delay the project for 12 months to enable value engineering to be explored and ensure business continuity is provided this winter.

### **3.10 Coastal Assets repairs - 5 year planned programme**

Historically maintenance of coastal assets was carried out on a reactive basis. In 2015/16, following a comprehensive condition survey, a proposal was put forward for a five year programme of planned coastal asset repairs with a budget of £300,000 per annum. 2019/20 was the final year of the 5 year programme.

A budget of £300,000 per annum for a further 5 year programme is proposed. The re-survey of all coastal assets is currently underway with delivery due by the end of the financial year. This will allow for a further five year maintenance plan to be developed.

### **3.11 New Entrance, Batson Creek Car Park**

A capital budget provision for a new entrance to Batson Creek Car Park was approved in 2019/20. A further provision is required in 2020/21. This relates to alteration of the car park entrance and spaces layout such that any development within the car park footprint does not result in any loss of capacity. There will also be a requirement to create space for the recycling facilities at Batson through the creation of a hard standing area adjacent to the existing site.

### **3.12 Cliff House Gardens, Salcombe**

A structural report is required and a structural engineer will be appointed to assess and identify whether remedial works are required.

### **3.13 Public Conveniences – Wallgate (hand-washing) Replacements**

The proposed capital programme includes a contribution of £10,000 per annum into a reserve for the replacement of Wallgate hand washing facilities. A number of Wallgates are reaching the end of their 25 year lives and will need to be replaced. Wallgates (hand washing facilities) are situated in public conveniences throughout the South Hams and provide an all in one solution to hand washing facilities and make savings in relation to water, energy efficiency and provide a more practical, eco-friendly and economical hand washing facility.

### **3.14 Totnes Skate Park**

Officers are currently working with the Community to secure capital funding towards a replacement skate park within the SHDC owned Borough Park in Totnes.

This includes an Expression of Interest pending with the National Lottery. Officers hope to deliver a new skate park in 2020/21 financial year subject to a full funding package.

### **3.15 Private Sector Renewals (including Disabled Facilities Grants)**

This budget is used to fund Private Sector Renewals, primarily Disabled Facilities Grants (DFG's). DFG's are mandatory, means tested and enable people to live independently within their own home. Adaptations range from simple stair lifts and Level Access Showers through to full extensions.

The budget of £1,100,000 will be funded from the Better Care Fund (Government Grant). The demand for DFG's is not under our control and cannot be predicted at this stage.

### **3.16 Contingency**

It is proposed that a contingency budget of £300,000 be included in the capital programme.

This has been included to allow for variations on tendered prices to the estimates provided in the programme, where emergency works are required on assets not currently included in the programme or where additional external resources are required to deliver the programme.

Use of this contingency budget will be subject to the Council's existing processes for the expenditure of capital funds.

## **4 FINANCING THE CAPITAL PROGRAMME**

**4.1** Capital bids shown in Appendix A total £2,480,000 with the total of bids in exempt Appendix B being £1,250,000. Funding of £3,730,000 is therefore required. The table below shows the recommended way that these projects are financed:-

<b>Capital Programme 2020/21</b> <i>Appendix A (£2,480,000) and</i> <i>Appendix B bids (£1,250,000)</i>	<b>£</b> <b>3,730,000</b>
<b>Funded By:</b>	
Capital Programme Reserve (See Note 1 below – this includes the 20/21 allocation of £181,600 plus previous funds unallocated)	265,100
Vehicle & Plant Renewals Reserve*	550,000

Capital Receipts	714,900
Better Care Grant funding towards Disabled Facilities Grants (estimated)	1,100,000
Borrowing – Waste and Cleansing Procurement (purchase of containers for the Devon aligned service)*	500,000
Borrowing – development opportunities (this is a proportion of the total PWLB borrowing for the projects shown within the South Hams Commercial Developments report and relates to the capital expenditure in the 20/21 year only) – Steamer Quay/Batson Workshop	600,000
<b>TOTAL</b>	<b>3,730,000</b>

\* This funding has already been approved by Council on 6<sup>th</sup> December 2018 as part of the report on Frontline Services (Waste and Cleansing Procurement) Council Minute C41/18.

Note 1 – The current proposed funding of the Capital Programme includes the Council continuing to make a revenue contribution to the Capital Programme Reserve in 2020/21 of £181,600.

## 5. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	<p>The Executive is responsible for control of the Council’s capital expenditure. The Head of Finance and Assets Practices are responsible for providing Capital Monitoring reports to the Executive, detailing the latest position of the Council’s Capital Programme. Council is responsible for setting the Capital Programme and approving the Capital Budget, following consideration and recommendation from the Executive.</p> <p>It is the role of the Joint Development Management Committee and Overview and Scrutiny Panel to scrutinise the Budget proposals being proposed by the Council on an annual basis.</p>



		<p>Since there is commercially sensitive information in Appendix B, regarding the budgets for individual projects, there are grounds for the publication of this Appendix to be restricted, and considered in exempt session.</p> <p>The public interest has been assessed and it is considered that the public interest will be better served by not disclosing the information in Appendix B. Accordingly this report contains exempt Information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.</p>
Financial Implications to include reference to Value for Money	Y	<p>The report sets out the Capital Bids to the 2020/21 Capital Programme totalling £3,730,000 and a suggested way that these bids can be funded. All items in this proposed Capital Programme are based on budget estimates and will be subject to the normal project appraisal procedures.</p> <p>Section 4 demonstrates that there are sufficient capital funds (which includes PWLB borrowing of £1.1m) in 2020/21 to fund the bids which have been submitted by project officers within the Council.</p> <p>The regular monitoring of the Capital Programme ensures the Council has arrangements in place to secure economy, efficiency and effectiveness in its use of resources.</p>
Risk	Y	<p>There is a risk that the Capital Programme does not meet the Council's strategic priorities in line with the Council's Asset Strategy and the opportunity to assess emerging projects, which could contribute to the Council's priorities. The mitigation is that there is a project appraisal for each proposal.</p> <p>This is taken into account when assessing possible implementation timescales. Complex capital programmes have a relatively long lead-in period. The Council demonstrates that</p>

		<p>capital investment contributes to strategic priorities, provides value for money and takes account of the revenue implications of the investment. Regular monitoring of the capital programme and consideration of new pressures enables Members to control the programme and secure appropriate mitigation where problems arise.</p> <p>There is regular quarterly monitoring of the Capital Programme to Members where any cost overruns are identified at an early stage</p>
Supporting Corporate Strategy		The Capital Programme supports all six of the Corporate Themes of the Council, Homes, Enterprise, Communities, Environment and Wellbeing.
Climate Change - Carbon / Biodiversity Impact		A climate change action plan was presented to Members at the Council meeting on 19 <sup>th</sup> December, 2019. This action plan includes future considerations around the Council's fleet.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

### Supporting Information

#### Appendices:

Appendix A – Summary of Capital Bids for 2020/2021

EXEMPT - Appendix B – Summary of exempt Capital Bids for 2020/2021 (table)

#### Background papers

Capital Programme for 2020/21 – Executive 19 December 2019

Capital Programme for 2019/20 - Council 21 February 2019 (54/18 and E.72/18 refer).

Proposed Capital Projects 2020/21 - 2022/23 - PART I							
Priority Criteria							
Statutory Obligations	1 Compliance, H&S, DDA						
	2 Essential to keep Operational Assets open						
Good Asset Management	3 Rationalise service delivery or service improvement						
	4 Generate income, capital value or reduce revenue costs						
Service	Site	Project	Lead officer	Proposed 2020/21 £'000	Proposed 2021/22 £'000	Proposed 2022/23 £'000	Priority code / notes
	Play Parks	Replacement equipment	RS	140			1,2
HQ	Follaton House	Refurbishment of roof to old house and replacement guttering	ST	50	50	50	1,2
	Follaton House	Replacement Lifts	ST	30	30	30	1,2
Engineering	SHDC Coastal Assets Repairs	5 year planned programme based on marine survey	CB	300	300	300	1
Commercial Services		Waste Fleet Replacement	JS	550	550	550	1,2,3
Commercial Services	Public Conveniences	Replacement programme of hand washing facilities within the public conveniences (Wallgates)	CA/EW	10	10	10	1,2
Public Sector Renewals (inc Disabled Facility Grants)			IL	1,100	1,100	1,100	1
<b>Sub Total</b>				<b>2,180</b>	<b>2,040</b>	<b>2,040</b>	
<b>Contingency</b>				<b>300</b>	<b>300</b>	<b>300</b>	
<b>Totals</b>				<b>2,480</b>	<b>2,340</b>	<b>2,340</b>	



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